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CARROLL COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2016

CARROLL COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Carroll County School District

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Carroll County School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County 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 and 41-43 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 Carroll County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Carroll County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
December 22, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS



CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

The following discussion and analysis of Carroll County 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 \$382,979, including a prior period adjustment of \$162,584, which represents a 8% increased from fiscal year 2015. Total net position for 2015 decreased \$9,069,346, including a prior period adjustment of (\$10,319,571), which represents a 218% decrease from fiscal year 2014.
- General revenues amounted to \$7,707,816 and \$7,649,234, or 77% and 79% 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 \$2,300,412, or 23% of total revenues for 2016, and \$1,988,508, or 21% of total revenues for 2015.
- The District had \$9,787,833 and \$8,387,517 in expenses for fiscal years 2016 and 2015; only \$2,300,412 for 2016 and \$1,988,508 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,707,816 for 2016 were adequate to provide for these programs and \$7,649,234 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,324,199 in revenues and \$7,289,474 in expenditures for 2016, and \$7,136,371 in revenues and \$6,291,789 in expenditures in 2015. The General Fund's fund balance decreased by \$85,551 from 2015 to 2016, and increased by \$711,303 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$15,227 for 2016 and decreased by \$78,776 for 2015. The increase for 2016 was due primarily to the asset addition and adjustments to prior year balances.
- Long-term debt decreased by \$327,000 for 2016 and increased by \$353,000 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$73,650 for 2016 and decreased by \$15,949 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.

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

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

The Statement of Net Position presents information on all the District's non-fiduciary assets, deferred outflows, 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.

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

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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Management's Discussion and Analysis  
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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 Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$4,531,817) 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.

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For the Year Ended June 30, 2016

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	\$ 1,643,783	\$ 1,580,334	4.01 %
Restricted assets	2,066,281	2,133,071	(3.13) %
Capital assets, net	3,601,554	3,586,327	0.42 %
<b>Total assets</b>	<b>7,311,618</b>	<b>7,299,732</b>	<b>0.16 %</b>
<b>Deferred outflows of resources</b>	<b>2,113,550</b>	<b>889,394</b>	<b>137.64 %</b>
Current liabilities	78,458	275,001	(71.47) %
Long-term debt outstanding	1,457,422	1,710,772	(14.81) %
Net pension liability	11,592,439	9,710,536	19.38 %
<b>Total liabilities</b>	<b>13,128,319</b>	<b>11,696,309</b>	<b>12.24 %</b>
<b>Deferred inflows of resources</b>	<b>828,666</b>	<b>1,407,613</b>	<b>(41.13) %</b>
<b>Net position:</b>			
Net investment in capital assets	2,260,554	1,918,327	17.84 %
Restricted	4,285,766	3,874,684	10.61 %
Unrestricted	(11,078,137)	(10,707,807)	(3.46) %
<b>Total net position</b>	<b>\$ (4,531,817)</b>	<b>\$ (4,914,796)</b>	<b>7.79 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (11,078,137)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	10,307,555
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (770,582)</u>

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

- Increase in net capital assets in the amount of \$15,227.
- The principal retirement of \$327,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$11,592,439.

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### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$10,008,228 and \$9,637,742, respectively. The total cost of all programs and services was \$9,787,833 for 2016 and \$8,387,517 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 228,269	\$ 194,948	17.09 %
Operating grants and contributions	2,072,143	1,793,560	15.53 %
General revenues:			
Property taxes	2,323,635	2,199,339	5.65 %
Grants and contributions not restricted	4,722,379	4,786,671	(1.34) %
Investment earnings	1,814	1,409	28.74 %
Sixteenth section sources	580,570	638,221	(9.03) %
Other	79,418	23,594	236.60 %
<b>Total revenues</b>	<b>10,008,228</b>	<b>9,637,742</b>	<b>3.84 %</b>
<b>Expenses:</b>			
Instruction	4,708,221	3,911,854	20.36 %
Support services	3,202,150	2,874,184	11.41 %
Non-instructional	675,827	649,472	4.06 %
Sixteenth section	186,198	177,205	5.07 %
Pension expense	918,308	657,657	39.63 %
Interest on long-term liabilities	97,129	117,145	(17.09) %
<b>Total expenses</b>	<b>9,787,833</b>	<b>8,387,517</b>	<b>16.70 %</b>
<b>Increase (Decrease) in net position</b>	<b>220,395</b>	<b>1,250,225</b>	<b>(82.37) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(4,914,796)</b>	<b>4,154,550</b>	<b>(218.30) %</b>
<b>Prior Period Adjustment</b>	<b>162,584</b>	<b>(10,319,571)</b>	<b>101.58 %</b>
<b>Net Position, July 1, as restated</b>	<b>(4,752,212)</b>	<b>(6,165,021)</b>	<b>22.92 %</b>
<b>Net Position, June 30</b>	<b>\$ (4,531,817)</b>	<b>\$ (4,914,796)</b>	<b>7.79 %</b>

### Governmental activities

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

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ 4,708,221	\$ 3,911,854	20.36 %
Support services	3,202,150	2,874,184	11.41 %
Non-instructional	675,827	649,472	4.06 %
Sixteenth section	186,198	177,205	5.07 %
Pension Expense	918,308	657,657	39.63 %
Interest on long-term liabilities	97,129	117,145	(17.09) %
<b>Total expenses</b>	<b>\$ 9,787,833</b>	<b>\$ 8,387,517</b>	<b>16.70 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ (3,707,312)	\$ (3,176,806)	(16.70) %
Support services	(2,641,034)	(2,317,027)	(13.98) %
Non-instructional	62,560	46,831	33.59 %
Sixteenth section	(186,198)	(177,205)	(5.07) %
Pension Expense	(918,308)	(657,657)	(39.63) %
Interest on long-term liabilities	(97,129)	(117,145)	17.09 %
<b>Total net (expense) revenue</b>	<b>\$ (7,487,421)</b>	<b>\$ (6,399,009)</b>	<b>(17.01) %</b>

- Net cost of governmental activities (\$7,487,421 for 2016 and \$6,399,009 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$2,323,635 for 2016 and \$2,199,339 for 2015) and state and federal revenues (\$4,722,379 for 2016 and \$4,786,671 for 2015). In addition, there was \$580,570 and \$638,221 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$1,814 for 2016 and \$1,409 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 \$3,641,103, an increase of \$242,347, which includes a prior period adjustment of \$271,590 and a decrease in inventory of \$7,106. The unassigned fund balance is (\$681,885), 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 \$4,322,988 is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$85,551, which includes a prior period adjustment of \$122,072. The fund balance of Other Governmental Funds showed an increase in the amount of \$136,554, which includes a prior period adjustment of \$201,074 and a decrease in inventory of \$7,106. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Principal Fund	\$ 191,344

## BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$6,111,929, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$205,896 from 2015 due primarily to the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$2,510,375, and total depreciation expense for the year was \$222,847, resulting in total net capital assets of \$3,601,554.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 36,361	\$ 36,361	0.00 %
Buildings	2,816,786	2,893,266	(2.64) %
Building improvements	77,230	91,458	(15.56) %
Improvements other than buildings	30,560	30,560	0.00 %
Mobile equipment	542,206	461,390	17.52 %
Furniture and equipment	98,411	73,292	34.27 %
<b>Total</b>	<b><u>\$ 3,601,554</u></b>	<b><u>\$ 3,586,327</u></b>	<b>0.42 %</b>

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

CARROLL COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Debt Administration.** At June 30, 2016, the District had \$1,457,422 in outstanding long-term debt, of which \$344,821 is due within one year. During the fiscal year, the District made principal payments totaling \$327,000 on outstanding long-term debt. The liability for compensated absences increased \$73,650 from the prior year.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	385,000	540,000	(28.70) %
Three mill notes payable	956,000	1,128,000	(15.25) %
Compensated absences payable	116,422	42,772	172.19 %
<b>Total</b>	<b><u>\$ 1,457,422</u></b>	<b><u>\$ 1,710,772</u></b>	<b>(14.81) %</b>

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

## **CURRENT ISSUES**

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

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

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

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Carroll County School District, P O Box 256, Carrollton, MS 38917.



## FINANCIAL STATEMENTS

**CARROLL COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2016**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,104,291
Due from other governments	426,898
Inventories	10,972
Prepaid items	101,622
Restricted assets	2,066,281
Capital assets, non-depreciable:	
Land	36,361
Capital assets, net of accumulated depreciation:	
Buildings	2,816,786
Building improvements	77,230
Improvements other than buildings	30,560
Mobile equipment	542,206
Furniture and equipment	98,411
Total Assets	<u>7,311,618</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	2,113,550
Total Deferred Outflows of Resources	<u>2,113,550</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	45,647
Unearned revenue	23,314
Interest payable on long-term liabilities	9,497
Long-term liabilities, due within one year:	
Capital related liabilities	339,000
Non-capital related liabilities	5,821
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,002,000
Non-capital related liabilities	110,601
Net pension liability	11,592,439
Total Liabilities	<u>13,128,319</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	828,666
Total Deferred Inflows of Resources	<u>828,666</u>
<b>Net Position</b>	
Net investment in capital assets	2,260,554
Restricted for:	
Expendable:	
School-based activities	646,856
Debt service	130,268
Capital improvements	124
Forestry improvements	17,827
Unemployment benefits	15,127
Non-expendable:	
Sixteenth section	3,475,564
Unrestricted	(11,078,137)
Total Net Position (deficit)	<u>\$ (4,531,817)</u>

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

**CARROLL COUNTY SCHOOL DISTRICT**

**Statement of Activities**  
**For the Year Ended June 30, 2016**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 4,708,221	\$ 177,323	\$ 823,586	\$	(3,707,312)
Support services	3,202,150	-	561,116		(2,641,034)
Non-instructional	675,827	50,946	687,441		62,560
Sixteenth section	186,198	-	-		(186,198)
Pension expense	918,308	-	-		(918,308)
Interest on long-term liabilities	97,129	-	-		(97,129)
Total Governmental Activities	<u>\$ 9,787,833</u>	<u>\$ 228,269</u>	<u>\$ 2,072,143</u>	<u>\$</u>	<u>(7,487,421)</u>

General Revenues:

Taxes:

General purpose levies 2,323,635

Unrestricted grants and contributions:

State 4,687,163

Federal 35,216

Unrestricted investment earnings 1,814

Sixteenth section sources 580,570

Other 79,418

Total General Revenues 7,707,816

Change in Net Position 220,395

Net Position - Beginning, as previously reported (4,914,796)

Prior Period Adjustments 162,584

Net Position - Beginning, as restated (4,752,212)

Net Position - Ending \$ (4,531,817)

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2016**

**Exhibit C**

	Major Funds			
	General	Sixteenth	Other	Total
	Fund	Section Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 493,041	\$ 69,412	\$ 611,250	\$ 1,173,703
Cash with fiscal agents	-	-	86,869	86,869
Investments	-	1,910,000	-	1,910,000
Due from other governments	116,579	18,450	291,802	426,831
Due from other funds	259,569	-	4,318	263,887
Advance to other funds	-	1,515,156	-	1,515,156
Inventories	-	-	10,972	10,972
Prepaid items	101,622	-	-	101,622
Total assets	<u>\$ 970,811</u>	<u>\$ 3,513,018</u>	<u>\$ 1,005,211</u>	<u>\$ 5,489,040</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 8,193	\$ 37,454	\$ -	\$ 45,647
Due to other funds	-	-	263,820	263,820
Advances from other funds	1,515,156	-	-	1,515,156
Unavailable revenue - federal programs	-	-	23,314	23,314
Total Liabilities	<u>1,523,349</u>	<u>37,454</u>	<u>287,134</u>	<u>1,847,937</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	10,972	10,972
Advances	-	1,515,156	-	1,515,156
Prepaid items	101,622	-	-	101,622
Permanent fund principal	-	1,960,408	-	1,960,408
<b>Restricted:</b>				
Debt service	-	-	139,765	139,765
Forestry improvement purposes	-	-	17,827	17,827
Capital projects	-	-	124	124
Grant activities	-	-	276,186	276,186
Food service	-	-	258,076	258,076
Unemployment benefits	-	-	15,127	15,127
<b>Assigned:</b>				
Activity funds	27,725	-	-	27,725
<b>Unassigned</b>	(681,885)	-	-	(681,885)
Total Fund Balances	<u>(552,538)</u>	<u>3,475,564</u>	<u>718,077</u>	<u>3,641,103</u>
Total Liabilities and Fund Balances	<u>\$ 970,811</u>	<u>\$ 3,513,018</u>	<u>\$ 1,005,211</u>	<u>\$ 5,489,040</u>

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

**CARROLL COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 3,641,103

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	\$ 36,361	
Buildings	4,200,784	
Building improvements	101,619	
Improvements other than buildings	152,800	
Mobile equipment	1,241,024	
Furniture and equipment	379,341	
Accumulated depreciation	<u>(2,510,375)</u>	3,601,554

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	(11,592,439)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,113,550	
Deferred inflows of resources related to pensions	<u>(828,666)</u>	(10,307,555)

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

Limited obligation refunding bonds	(385,000)	
Three mill notes payable	(956,000)	
Compensated absences	(116,422)	
Accrued interest payable	<u>(9,497)</u>	(1,466,919)

<b>Net Position of governmental activities</b>		<b><u>\$ (4,531,817)</u></b>
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The notes to the financial statements are an integral part of this statement.

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

**Exhibit D**

	Major Funds			
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 2,318,399	-	263,815	\$ 2,582,214
State sources	4,606,758	-	289,502	4,896,260
Federal sources	47,931	-	1,850,330	1,898,261
Sixteenth section sources	351,111	229,431	28	580,570
Total Revenues	7,324,199	229,431	2,403,675	9,957,305
<b>Expenditures:</b>				
Instruction	4,103,696	-	1,079,657	5,183,353
Support services	2,990,569	-	545,289	3,535,858
Noninstructional services	-	-	695,174	695,174
Sixteenth section	148,246	37,454	498	186,198
Debt service:				
Principal	-	-	327,000	327,000
Interest	46,963	-	55,819	102,782
Other	-	-	-	-
Total Expenditures	7,289,474	37,454	2,703,437	10,030,365
Excess (Deficiency) of Revenues over (under) Expenditures	34,725	191,977	(299,762)	(73,060)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	85,516	-	737,463	822,979
Other financing sources	-	50,923	-	50,923
Operating transfers out	(327,864)	-	(495,115)	(822,979)
Total Other Financing Sources (Uses)	(242,348)	50,923	242,348	50,923
Net Change in Fund Balances	(207,623)	242,900	(57,414)	(22,137)
<b>Fund Balances:</b>				
July 1, 2015, as previously reported	(466,987)	3,284,220	581,523	3,398,756
Prior period adjustments	122,072	(51,556)	201,074	271,590
July 1, 2015, as restated	(344,915)	3,232,664	782,597	3,670,346
Increase (Decrease) in inventory	-	-	(7,106)	(7,106)
June 30, 2016	\$ (552,538)	\$ 3,475,564	\$ 718,077	\$ 3,641,103

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ (22,137)**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 229,185	
	Depreciation expense	<u>(222,847)</u>	6,338
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.		(3,865)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	327,000	
	Accrued interest payable	<u>5,653</u>	332,653
4.	Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
	Recording of pension expense for the current period	(918,308)	
	Recording of contributions made subsequent to the measurement date	<u>839,508</u>	(78,800)
5.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	(6,688)	
	Change in inventory	<u>(7,106)</u>	(13,794)
<b>Change in Net Position of governmental activities</b>		<b>\$</b>	<b><u>220,395</u></b>

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2016**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 324,529
Total Assets	<u>324,529</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	308,129
Due to other funds	67
Due to student clubs	<u>16,333</u>
Total Liabilities	<u>324,529</u>

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



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

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

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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 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

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

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

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

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

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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, 2014*, issued by the U.S. Department of Education.

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

**D. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are reported for governmental fund types since the payments of such items reflect costs applicable to future accounting periods.

5. Restricted Assets

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

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 13 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future

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

period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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 a resolution approved by the School 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. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the 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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## **Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents and Investments**

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

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

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

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agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,173,703 and \$324,529, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$1,104,291 and a portion of restricted assets in the amount of \$2,066,281 (see Note 4).

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$2,040,798 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 \$86,869.

#### Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities	Fair Value
		(in years)	
Certificates of deposit	N/A	1 to 5	\$ 1,910,000
Total			<u>\$ 1,910,000</u>

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

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



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**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	Other Governmental Funds	\$ 259,502
	Fiduciary Funds	67
Other Governmental Funds	Other Governmental Funds	4,318
Total		<u>\$ 263,887</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 1,515,156
Total		<u>\$ 1,515,156</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. A four percent interest rate is charged to the district in accordance with Section 29-3-113, Miss. Code Ann. (1972).

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 163,221	\$ 60,300	\$ 223,521
2018	163,221	53,772	216,993
2019	163,221	47,040	210,261
2020	163,221	40,707	203,928
2021	149,041	34,175	183,216
2022-2026	638,545	87,286	725,831
2027-2031	46,686	9,870	56,556
2032-2036	28,000	3,240	31,240
Total	<u>\$ 1,515,156</u>	<u>\$ 336,390</u>	<u>\$ 1,851,546</u>

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**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 327,864
Other governmental funds	General fund	85,516
Other governmental funds	Other governmental funds	409,599
Total		<u>\$ 822,979</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, unemployment compensation transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance totaling \$69,412 and \$1,910,000 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$86,869 of the MAEP Limited Obligation Bond/Note Fund.

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**Note 5 – Capital Assets**

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 36,361	\$ -	\$ -	\$ -	\$ 36,361
Total non-depreciable capital assets	36,361	-		-	36,361
<u>Depreciable capital assets:</u>					
Buildings	4,200,784	-	-	-	4,200,784
Building improvements	101,619	-	-	-	101,619
Improvements other than buildings	152,800	-	-	-	152,800
Mobile equipment	1,074,919	182,320	(16,215)	-	1,241,024
Furniture and equipment	339,550	46,865	(31,419)	24,345	379,341
Total depreciable capital assets	5,869,672	229,185	(47,634)	24,345	6,075,568
<u>Less accumulated depreciation for:</u>					
Buildings	1,307,518	76,480	-	-	1,383,998
Building improvements	10,161	4,065	-	10,163	24,389
Improvements other than buildings	122,240	-	-	-	122,240
Mobile equipment	613,529	99,884	(14,593)	(2)	698,818
Furniture and equipment	266,258	42,418	(29,176)	1,430	280,930
Total accumulated depreciation	2,319,706	222,847	(43,769)	11,591	2,510,375
Total depreciable capital assets, net	3,549,966	6,338	(3,865)	12,754	3,565,193
Governmental activities capital assets, net	\$ 3,586,327	\$ 6,338	\$ (3,865)	\$ 12,754	3,601,554

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 82,659
Support services	127,887
Non-instructional	12,301
Total depreciation expense - Governmental activities	\$ 222,847

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2015	Additions	Reductions	Adjustments	Balance 6/30/2016	Amounts due within one year
A. Limited obligation refunding bonds payable	540,000	-	(155,000)	-	385,000	160,000
B. Three mill notes payable	1,128,000	-	(172,000)	-	956,000	179,000
C. Compensated absences payable	42,772	6,688	-	66,962	116,422	5,821
Total	\$ 1,710,772	\$ 6,688	\$ (327,000)	\$ 66,962	1,457,422	\$ 344,821

**A. Limited obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	3.09%	5/20/2009	2/1/2018	\$ 1,349,000	\$ 385,000
Total				<u>\$ 1,349,000</u>	<u>\$ 385,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 160,000	\$ 9,425	\$ 169,425
2018	225,000	4,403	229,403
Total	<u>\$ 385,000</u>	<u>\$ 13,828</u>	<u>\$ 398,828</u>

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

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**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes payable, Series 2005	3.79%	4/15/2005	4/15/2018	\$ 1,450,000	\$ 215,000
Limited tax notes payable, Series 2008	3.69%	5/7/2008	4/1/2021	1,200,000	741,000
Total				<u>\$ 2,650,000</u>	<u>\$ 956,000</u>

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

1. Three mill notes issue of April 15, 2005:

Year Ending June 30	Principal	Interest	Total
2017	\$ 145,000	\$ 8,148	\$ 153,148
2018	70,000	2,653	72,653
Total	<u>\$ 215,000</u>	<u>\$ 10,801</u>	<u>\$ 225,801</u>

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

2. Three mill notes issue May 7, 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 34,000	\$ 27,343	\$ 61,343
2018	115,000	26,088	141,088
2019	192,000	21,845	213,845
2020	200,000	14,760	214,760
2021	200,000	7,380	207,380
Total	<u>\$ 741,000</u>	<u>\$ 97,416</u>	<u>\$ 838,416</u>

This debt will be retired from the Three Mill Note Fund (Debt Service Fund) which will be financed by local millage and the EEF Buildings and Buses Fund annual appropriation of 38,952. These EEF funds are pledged exclusively to the limited tax notes payable, series 2008 through April 1, 2021.

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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 179,000	\$ 35,491	\$ 214,491
2018	185,000	28,741	213,741
2019	192,000	21,845	213,845
2020	200,000	14,760	214,760
2021	200,000	7,380	207,380
Total	<u>\$ 956,000</u>	<u>\$ 108,217</u>	<u>\$ 1,064,217</u>

**C. 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 – Prior Year Defeasance of Debt**

In prior years, the Carroll County School District defeased certain limited obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$385,000 of bonds outstanding are defeased.

**Note 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus

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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 \$839,508, \$737,913 and \$776,009, 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 \$11,592,439 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 net pension liability was 0.074993 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.005007 percent 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.

For the year ended June 30, 2016, the District recognized pension expense of \$918,308. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 275,393	\$
Net difference between projected and actual earnings on pension plan investments		828,666
Changes of assumptions	901,658	
Changes in proportion and differences between District contributions and proportionate share of contributions	96,991	
District contributions subsequent to the measurement date	839,508	
Total	\$ <u>2,113,550</u>	\$ <u>828,666</u>

\$839,508 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:

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Year ended June 30:	
2017	\$ 138,999
2018	127,012
2019	9,795
2020	169,570

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

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

The actuarial assumptions used in the June 30, 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:

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

*Discount rate.* The discount rate used to measure the total pension liability was 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-



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percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,279,896	\$ 11,592,439	\$ 8,532,539

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

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2017	\$ 211,068
2018	131,040
2019	82,186
2020	62,260
2021	57,512
2022-2026	277,561
2027-2031	249,238
2032-2036	216,425
2037-2041	109,217
Thereafter	211,302
Total	\$ <u>1,607,809</u>

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**Note 10 – Prior Period Adjustments**

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct fund balances at the governmental fund level	271,590
2 To correct revenues that were not available within 60 days on prior year report	(54,798)
3 To correct long term debt balances	(66,962)
4 To correct capital asset balances	12,754
Total	<u>\$ 162,584</u>

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

Fund	Explanation	Amount
General Fund	To correct fund balances	122,072
16th Section Principal Fund	To correct fund balances	(51,556)
Other Governmental Funds	To correct fund balances	201,074
Total		<u>\$ 271,590</u>

**Note 11 – Contingencies**

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

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

**Note 12 – Risk Management**

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

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Participation in Public Entity Risk Pool

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

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

The unrestricted net position amount of (\$11,078,137) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$839,508 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$1,274,042 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$828,666 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

**Note 14 – Deficit Fund Balance of Individual Funds**

The District Maintenance Fund, included in the General Fund for financial reporting purpose, has a deficit fund balance in the amount of \$552,538. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

**Note 15 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Carroll County School District evaluated the activity of the district through December 22, 2017, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**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
<b>Revenues:</b>					
Local sources	\$ 2,367,620	\$ 2,367,620	\$ 2,318,399	\$ -	\$ (49,221)
State sources	4,553,311	4,553,311	4,606,758	-	53,447
Federal sources	32,790	32,790	47,931	-	15,141
Sixteenth section sources	446,500	446,500	351,111	-	(95,389)
Total Revenues	7,400,221	7,400,221	7,324,199	-	(76,022)
<b>Expenditures:</b>					
Instruction	3,683,064	3,739,229	4,103,696	(56,165)	(364,467)
Support services	2,992,981	3,293,064	2,990,569	(300,083)	302,495
Sixteenth section	177,105	247,855	148,246	(70,750)	99,609
Facilities acquisition and construction	46,540	49,540	-	(3,000)	49,540
Debt service:					
Principal	51,673	51,673	-	-	51,673
Interest	-	-	46,963	-	(46,963)
Total Expenditures	6,951,363	7,381,361	7,289,474	(429,998)	91,887
Excess (Deficiency) of Revenues over (under) Expenditures	448,858	18,860	34,725	(429,998)	15,865
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issues	500,000	500,000	-	-	(500,000)
Operating transfers in	1,489,139	1,489,139	85,516	-	(1,403,623)
Operating transfers out	(1,379,300)	(1,379,300)	(327,864)	-	1,051,436
Other financing sources	(45)	(45)	-	-	45
Total Other Financing Sources (Uses)	609,794	609,794	(242,348)	-	(852,142)
Net Change in Fund Balances	1,058,652	628,654	(207,623)	(429,998)	(836,277)
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	(463,499)	(463,499)	(466,987)	-	(3,488)
Prior period adjustments	-	-	122,072	-	122,072
July 1, 2015, as restated	(463,499)	(463,499)	(344,915)	-	118,584
June 30, 2016	\$ 595,153	\$ 165,155	\$ (552,538)	\$ (429,998)	\$ (717,693)

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability (asset)	\$ 11,592,439	9,710,536
District's proportionate share of the net pension liability (asset)	0.074993%	0.080000%
District's covered - employee payroll	4,685,162	4,927,041
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.4288%	197.0866%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%	67.207687%

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

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

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 839,508	737,913
Contributions in relation to the contractually required contribution	839,508	737,913
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered - employee payroll	5,330,210	4,685,162
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

CARROLL COUNTY 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 consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes 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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

**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
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 235,053
National school lunch program	10.555	494,008
Total child nutrition cluster		<u>729,061</u>
Total passed-through Mississippi Department of Education		<u>729,061</u>
<b>Total U.S. Department of Agriculture</b>		<u>729,061</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>35,216</u>
<b>Total Federal Communications Commission</b>		<u>35,216</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	403,280
Career and technical education - basic grants to states	84.048	15,173
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	322
Rural Education	84.358	6,519
Twenty-first Century Community Learning Centers	84.287	375,539
Supporting Effective Instruction state grants	84.367	<u>71,643</u>
Subtotal		<u>872,476</u>
Special education cluster:		
Special education Grants to States	84.027	220,180
Special education Preschool Grants	84.173	<u>1,830</u>
Total special education cluster		<u>222,010</u>
Total passed-through Mississippi Department of Education		<u>1,094,486</u>
<b>Total U.S. Department of Education</b>		<u>1,094,486</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>12,393</u>
Total passed-through Mississippi Department of Education		<u>12,393</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>12,393</u>
Total for All Federal Awards		<u><u>\$ 1,871,156</u></u>

**NOTES TO SCHEDULE**

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

**CARROLL COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,145,311	5,362,595	382,230	431,545	968,941
Other	2,885,054	617,166	155,332	33,325	2,079,231
Total	<u>\$ 10,030,365</u>	<u>5,979,761</u>	<u>537,562</u>	<u>464,870</u>	<u>3,048,172</u>
Total number of students *	<u>1,043</u>				
Cost per student	<u>\$ 9,617</u>	<u>5,733</u>	<u>515</u>	<u>446</u>	<u>2,923</u>

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

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

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

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

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

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

## OTHER INFORMATION

**CARROLL COUNTY SCHOOL DISTRICT**  
**Other Information**

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

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 2,318,399	\$ 2,149,310	\$ 1,981,136	\$ 1,893,330
State sources	4,606,758	4,586,211	4,224,835	4,135,383
Federal sources	47,931	45,820	71,390	317,637
Sixteenth Section sources	351,111	355,030	-	-
Total Revenues	7,324,199	7,136,371	6,277,361	6,346,350
<b>Expenditures:</b>				
Instruction	4,103,696	3,518,376	3,769,382	3,719,437
Support services	2,990,569	2,639,145	2,643,209	3,062,680
Sixteenth Section	148,246	80,997	-	-
Debt Service:				
Interest	46,963	53,271	60,262	59,443
Total Expenditures	7,289,474	6,291,789	6,472,853	6,841,560
Excess (Deficiency) of Revenues over (under) Expenditures	34,725	844,582	(195,492)	(495,210)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	-	-	18,528
Sale of transportation equipment	-	-	-	13,584
Sale of other property	-	-	-	125,900
Other financing uses	-	(1,297)	(826)	(3,249)
Operating transfers in	85,516	117,723	785,102	707,671
Operating transfers out	(327,864)	(249,705)	(321,098)	(355,354)
Total Other Financing Sources (Uses)	(242,348)	(133,279)	463,178	507,080
Net Change in Fund Balances	(207,623)	711,303	267,686	11,870
<b>Fund Balances:</b>				
July 1 , as previously reported	(466,987)	(1,178,290)	(1,468,871)	(1,459,475)
Prior period adjustments	122,072	-	22,895	(21,266)
July 1 , as restated	(344,915)	(1,178,290)	(1,445,976)	(1,480,741)
End of Period	\$ (552,538)	\$ (466,987)	\$ (1,178,290)	\$ (1,468,871)

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CARROLL COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 2,582,214	\$ 2,406,032	\$ 2,248,185	\$ 2,158,817
State sources	4,896,260	4,972,947	4,621,123	4,538,099
Federal sources	1,898,261	1,552,487	1,545,360	1,822,282
Sixteenth section sources	580,570	656,416	744,027	675,399
Total Revenues	9,957,305	9,587,882	9,158,695	9,194,597
<b>Expenditures:</b>				
Instruction	5,183,353	4,323,362	4,642,739	4,670,837
Support services	3,535,858	3,108,728	3,089,318	3,528,116
Noninstructional services	695,174	673,128	628,524	663,375
Sixteenth section	186,198	177,205	241,405	151,158
Facilities acquisition and construction	-	7,623	85,767	81,610
Debt service:				
Principal	327,000	353,000	341,000	330,000
Interest	102,782	121,767	140,642	152,578
Total Expenditures	10,030,365	8,764,813	9,169,395	9,577,674
Excess (Deficiency) of Revenues over (under) Expenditures	(73,060)	823,069	(10,700)	(383,077)
<b>Other Financing Sources (Uses):</b>				
Insurance loss recovery	-	-	-	18,528
Sale of transportation equipment	-	-	-	13,584
Sale of other property	-	-	-	125,900
Other financing sources	50,923	-	-	391
Operating transfers in	822,979	367,428	1,196,769	1,122,468
Operating transfers out	(822,979)	(367,428)	(1,196,769)	(1,122,468)
Other financing uses	-	(4,812)	(6,591)	(3,249)
Total Other Financing Sources (Uses)	50,923	(4,812)	(6,591)	155,154
Net Change in Fund Balances	(22,137)	818,257	(17,291)	(227,923)
<b>Fund Balances:</b>				
July 1, as previously reported	3,398,756	2,588,940	2,583,416	2,872,448
Prior period adjustment	271,590	-	22,895	(68,170)
July 1, as restated	3,670,346	2,588,940	2,606,311	2,804,278
Increase (Decrease) in reserve for inventory	(7,106)	(8,441)	(80)	7,061
End of Period	\$ 3,641,103	\$ 3,398,756	\$ 2,588,940	\$ 2,583,416

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board  
Carroll County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Carroll County School District's basic financial statements, and have issued our report thereon dated December 22, 2017 .

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2016-01, 2016-02, 2016-03, and 2016-04** to be a material weakness. Finding **2016-05, 2016-06 and 2016-07** are considered to be significant deficiencies.

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 and significant deficiencies may exist that were not identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Carroll County School District's Responses to Findings**

Carroll County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Carroll County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
December 22, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.



## McKENZIE CPA, PLLC

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### **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

Superintendent and School Board  
Carroll County School District

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

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

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

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

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

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

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

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

In our opinion, Carroll County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Uniform Guidance. However, the results of our auditing procedures did disclose other instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as findings **2016-08**. Our opinion on each major federal program is not modified with respect to this matter.

Carroll County School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Carroll County 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.

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any 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 Finding **2016-08** that we consider to be a significant deficiency.

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC  
Brandon, Mississippi  
December 22, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

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



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

Superintendent and School Board  
Carroll County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2016, which collectively comprise Carroll County School District's basic financial statements and have issued our report thereon dated December 22, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

#### **Finding 1:**

Section 71-5-359, Miss. Code Ann. (1972), requires that districts maintain an available balance in the unemployment compensation fund of two percent (2%) of the first \$6,000 of covered wages paid during the immediately preceding calendar year.

During testing performed on the unemployment compensation fund balance, we noticed that the available balance of the fund was \$15,127. This was \$6,113. below the required minimum balance of \$21,240

This noncompliance occurred because the district lacked proper controls to ensure the unemployment fund balance meets the state requirement of 2% of applicable wages.

An insufficient balance in the unemployment compensation fund could result in not enough funds being available to pay possible claims that could arise.

Recommendation

We recommend that the district comply with Section 71-5-359, Miss. Code Ann. (1972), which requires the district to set aside in a separate fund for unemployment compensation at least 2% of applicable wages.

Response

The district will implement procedures to ensure the fund unemployment fund balance remains above the 2% threshold of applicable wages in accordance with Section 71-5-359, Miss. Code Ann. (1972).

**Finding 2:**

Section 37-61-21, Miss. Code Ann. (1972) requires that original and amended budgets must be submitted to the board for approval in a timely manner.

During our test of budgetary compliance, we found that the district did not submit a copy of the original budget to the board for approval and did not do a final amended budget to match budget to actual numbers. The budgets were also not properly publicized.

Recommendation

We recommend that an original budget be timely prepared and submitted to the board for approval. This should then be followed by an amended budget that should also be submitted to the board for approval.

Response

The district will implement procedures to ensure original and amended budgets are prepared timely and submitted to the board for approval and properly recorded in the minutes.

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

The Carroll County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on it.

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
December 22, 2017



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |                                       |               |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: |               |
| a. | Material weakness identified?         | No            |
| b. | Significant deficiency identified?    | None Reported |

- |    |  |            |
|----|--|------------|
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified |
|    |  |            |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
10.553; 10.555	Child Nutrition Cluster

- |     |  |           |
|-----|--|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000 |
|     |  |           |
| 9.  | Auditee qualified as low-risk auditee?   | Yes       |
|     |  |           |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No        |



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

**Section II: Financial Statement Findings**

**Material Weaknesses**

**2016-01 Finding**

District does not have proper segregation of duties.

Management is responsible for insuring that the proper resources are available to meet the requirements of the district. Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. When duties cannot be sufficiently segregated due to the small size of the district, it is important that mitigating controls, such as a detailed supervisory review of the activities, be put in place to reduce risk.

During our test of controls and review of reconciliations, we found the following:

- A. No detailed supervisory review is in place to reduce the risk of errors or misstatements.
- B. An employee has the ability to prepare receipts, bank deposit slips, general ledger entry, and reconcile the bank statements.

**Recommendation**

We recommend the district implement procedures and controls to have more than one person in the routine process of receipting funds, preparing deposit slips, general ledger entry, and bank reconciliations. We also recommend a supervisory review be done of the monthly activities.

**2016-02 Finding**

District does not have a positive fund balance in the general fund.

Management is responsible for insuring that the proper resources are available to meet the requirements of the district. According to Section 37-61-19, Miss. Code Ann. (1972), it states that "it shall be unlawful for any district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year."

During our test of the financial statements, we found the following:

- A. The general fund has had a negative beginning fund balance that has been brought forward for several years.
- B. Although revenues did exceed expenditures in the current year, the deficit increased due to transfers out of the general fund.

**Recommendation**

We recommend the district implement procedures and budgetary controls to ensure a positive general fund balance from year to year and work out a plan to bring the current negative general fund balance to a positive balance as soon as possible.

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

**2016-03 Finding**

Bank reconciliations and investment statements were not properly reconciled.

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling monthly bank statements to the general ledger and reconciling investment statements to ensure the values are booked at the fair value. In addition, strong internal controls dictate the district prepare accurate reconciliations to ensure account balances are accurate.

During our test of internal controls related to bank statement reconciliations, we found the following:

- A. Several bank reconciliations had unsupported amounts included in order to reconcile to the general ledger balance. The unsupported amounts were rolled forward from previous periods and were unable to be reconciled by the district.
- B. Investment statements were not reconciled to identify the fair value amounts and to make the proper adjustments to the financials.

**Recommendation**

The district should ensure that procedures are established and followed so that bank statements are accurately reconciled to the general ledger and any differences are investigated and recorded on the general ledger to properly reflect transactions. The district should also implement procedures which would enable them to accurately and timely evaluate the balances of each investment account.

**2016-04 Finding**

Capital assets should be properly documented and reported in the district's financial statements.

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. This includes reviewing and updating the capital assets and depreciation reports to reflect the physical inventory. Proper documentation should also be filed for asset transfers, disposals, and tagging.

During our test of internal controls related to capital assets, we found the following:

- A. Assets were not properly recorded on the books. Assets were not categorized by threshold properly. Therefore, Asset balances did not agree with the support given by the district. Adjustments were made that were approved by the district to tie the ending asset balances to the support provided.
- B. During our test of disposals, we noted that the disposal forms were not completed although disposals were approved by the board. Also, disposals were approved in the prior year but were not removed from the books until the current year causing disposals to be overstated.

**Recommendation**

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

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

**Significant Deficiencies**

**2016-05 Finding**

Accounts payable and accrued liabilities were not properly reported on the district's financial statements.

Management is responsible for insuring that all items are reported correctly on the school district's financial statements. Accounts payables and accruals should be reconciled and adjusted at year end to accurately reflect the proper balances.

During our testing of the financial statements we noticed the following:

- A. The district did not properly record accrued payroll at year end to reflect the final payroll transaction. Adjustments were made to correct the liability and approved by the district.
- B. The district did not properly setup the accounting software to accurately record liability of compensated absences. The software was understating the liability on the financials. Adjustments were made and approved by the district to correct the liability.

These deficiencies occurred due to inadequate internal controls related to a lack of reconciliation of payroll and related liabilities.

**Recommendation**

The district should strengthen controls over reconciliations of liability accounts within the financial statements to ensure that the financial statements are properly stated.

**2016-06 Finding**

Transfers and loan balances were not properly reconciled and presented on financials.

Management is responsible for insuring that all items are reported correctly on the school district's financial statements. Transfers and loans between funds should be reconciled and adjusted at year end to accurately reflect the proper balances.

During our testing of the financial statements we noticed the following:

- A. Transfers balances were overstated and adjustments were not made to accurately show how money was being transferred between funds. Also, because of other improper financial and bank statement reconciliations the transfers were not accurate.
- B. Loan balances between funds were also overstated and adjustments were not made to accurately state the loan balances. Also, because of other improper financial and bank statement reconciliations the loans needed further adjustments which were approved by the district.

These deficiencies occurred due to inadequate internal controls related to a lack of reconciliation of transfers and loans between funds.

**Recommendation**

The district should strengthen controls over reconciliations of transfer and loan transactions within the financial statements to ensure that the financial statements are properly stated.

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

**2016-07 Finding**

Payroll expenditures should be supported by adequate documentation and approval.

Management is responsible for insuring that all payroll expenditures made by the district are adequately documented and properly calculated.

During our test of internal controls related to payroll expenditures, we found the following:

- A. One employee was found to have been paid by the wrong experience level for the last four years when it was reviewed in more detail.
- B. Four employees tested were found to be paid more than what the board had approved. The pay was related to overtime or additional time worked by employees. The additional hours and pay was not approved by the board.

Miscalculations of an employee's change in pay during the fiscal year or during budgeting for the next year could result in underpaying or overpaying an employee according to their contract and board approval. Not paying the employee by the time worked as indicated on a timesheet could result in unsubstantiated charges made to the district or federal program. Omitting documentation of approval of additional compensation of the supplements from the board minutes could result in payments of unauthorized amounts.

**Recommendation**

We recommend the district implement procedures and internal controls to ensure that changes in employees pay during the fiscal year will be properly calculated and paid accordingly. Additionally, the district should require timesheets for all hourly employees to ensure their time can be reconciled before payment. The district should also require all employees who are paid from both federal and district funds to keep timesheets or other documentation to allocate their time properly and to make sure they are being paid with the proper funds. The school board should also approve all salaries including supplements or additional time paid to district employees.

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency

**2016-08 Finding**

Internal controls surrounding special education cash management principles should be strengthened.

Program:

Special Education Cluster, CFDA # 84.027 & 84.173

Title II Supporting Effective Instruction State Grants, CFDA # 84.367

Passed-through the Mississippi Department of Education

Compliance Requirement: Cash Management

Management is responsible for complying with the requirements of the Mississippi Department of Education Special Education Policy and Procedures Manual, which recommends that expenditures should be expended before the reimbursements are requested.

During our tests of the federal programs, we noted the following weaknesses:

- A. The cash balance was excessive for Special Education Cluster by \$4,570 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.
- B. The cash balance was excessive for the Title II Supporting Effective Instruction State Grants by \$23,314 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.

Improper internal controls resulted in the district not requesting reimbursements accurately.

By requiring more than one staff member to review the reimbursement request reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning Special Education and Title II Fund allocations could result in questioned cost by the federal agencies.

Recommendation

The district should implement stronger internal controls to ensure that all reimbursements are requested accurately in each area when the expenditure is actually expended by the district.

**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
Billy Joe Ferguson, Superintendent  
Mimi Alldread, Business Manager**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by the Uniform Guidance, The Carroll County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016:

Finding	Corrective Action Plan Details
<b>2016-01</b>	<p>Segregation of Duties</p> <p>A. Name of contact person responsible for corrective action: Name: Billy Joe Ferguson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will improve internal controls to mitigate the segregation of duties by including or adding an additional person within the receipting, deposits, general ledger entry, and bank reconciliations. A review of the monthly activities will also be implemented.</p>
<b>2016-02</b>	<p>District does not have a positive fund balance in the general fund.</p> <p>A. Name of contact person responsible for corrective action: Name: Billy Joe Ferguson Title: Superintendent</p> <p>B. Corrective action planned:</p> <p>District will implement a financial plan and implement better budgeting procedures to ensure the negative fund balance will be reduced in a timely fashion and will work towards building a long term positive fund balance to make sure all needs of the district can be properly funded.</p>
<b>2016-03</b>	<p>Bank reconciliations and investment statements were not properly reconciled.</p> <p>A. Name of contact person responsible for corrective action: Name: Mimi Alldread Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will implement better controls and procedures so that bank statements and investments statements are properly reconciled to the general ledger. Any differences will be investigated and recorded on the general ledger to properly reflect the transactions.</p>

**Carroll County School District  
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Billy Joe Ferguson, Superintendent  
Mimi Alldread, Business Manager**

**2016-04**

Capital assets should be properly documented and reported in the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Mimi Alldread

Title: Business Manager

B. Corrective action planned:

The district will implement better internal controls for assets purchases, disposals and transfers. The business manager will ensure that all disposal forms will be completed and submitted to the board for approval.

**2016-05**

Accounts payable and accrued liabilities were not properly reported on the district's financial statements.

A. Name of contact person responsible for corrective action:

Name: Mimi Alldread

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over reporting and make sure liability accounts are reconciled and are properly stated on the financials.

**2016-06**

Transfers and Loan balances were not properly reconciled and presented on financial statements.

A. Name of contact person responsible for corrective action:

Name: Mimi Alldread

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls over reconciliations of transfers and loan transactions within the financial statements to ensure that the financial statements are fairly stated.

**Carroll County School District  
P. O. Box 256  
Office of the Superintendent  
Carrollton, Mississippi 38917  
Billy Joe Ferguson, Superintendent  
Mimi Alldread, Business Manager**

**2016-07**

Payroll expenditures should be supported by adequate documentation.

A. Name of contact person responsible for corrective action:

Name: Mimi Alldread and Billy Joe Ferguson

Title: Business Manager and Superintendent

B. Corrective action planned:

The business manager will implement better procedures to ensure that employees' pay during the fiscal year will be properly calculated and paid accordingly. Additionally, the district will implement better controls over the payroll processes and make sure all time sheets are reconciled and all employees, salaries, and supplements are approved by the board.

**2016-08**

Internal controls surrounding Special Education and Title II fund cash management principles should be strengthened.

A. Name of contact person responsible for corrective action:

Name: Mimi Alldread

Title: Business Manager

B. Corrective action planned:

The business manager will review monthly to ensure all reimbursements are requested accurately and properly reflects when the expenditures are actually expended by the district.