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

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Itawamba 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 Itawamba County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Itawamba County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of June 30, 2016, and the respective changes in financial position 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 8-18, 55-56, 57, and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Itawamba County School District's 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 January 13, 2017, on our consideration of Itawamba 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 Itawamba County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, MS
January 13, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Itawamba 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 decreased \$1,103,760, which represents a 12% decrease from fiscal year 2015. Total net position for 2015 decreased \$31,898,194, including prior period adjustments of (\$33,505,189), which represents a 139% decrease from fiscal year 2014.

General revenues amounted to \$25,349,858 and \$24,615,649, or 82% and 81% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,515,446, or 18% of total revenues for 2016, and \$5,604,769, or 19% of total revenues for 2015.

The District had \$31,969,064 and \$28,613,423 in expenses for fiscal years 2016 and 2015; only \$5,515,446 for 2016 and \$5,604,769 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$25,349,858 for 2016 were not adequate to provide for these programs. General revenues of \$24,615,649 for 2015 were adequate to provide for these programs.

Among major funds, the General Fund had \$24,848,007 in revenues and \$24,948,364 in expenditures for 2016, and \$23,722,964 in revenues and \$24,698,898 in expenditures in 2015. The General Fund's fund balance decreased by \$768,258 from 2015 to 2016, and decreased by \$7,774, including prior period adjustments of (\$160,000), from 2014 to 2015.

Among major funds, the School Food Service Fund had \$1,947,030 in revenues and \$2,045,894 in expenditures for 2016, and \$1,934,603 in revenues and \$2,134,607 in expenditures in 2015. The School Food Service Fund's fund balance increased by \$7,820, including a decrease of reserve for inventory of \$41,872, from 2015 to 2016, and decreased by \$372, including a prior period adjustment of \$116,790 and an increase in reserve for inventory of \$40,595, from 2014 to 2015.

Among major funds, the QSCB Debt Retirement Fund had \$0 in revenues and \$0 in expenditures for 2016, and \$0 in revenues and \$25,200 in expenditures in 2015. The QSCB Debt Retirement Fund's fund balance increased by \$192,615 from 2015 to 2016, and increased by \$178,121 from 2014 to 2015.

Capital assets, net of accumulated depreciation, decreased by \$977,691 for 2016, and increased by \$224,446, including prior period adjustments of (\$210,910) for 2015. The decrease for 2016 was primarily due to the increase in accumulated depreciation.

Long-term debt decreased by \$1,976,866 for 2016 and decreased by \$644,776 for 2015. This decrease for 2016 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,798 for 2016 and increased by \$19,508 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 remainder reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Pension plan contributions affect the net pension liability reported on the government-wide financial statements, but are recorded as expenditures on the governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund (if applicable) as required by the Governmental Accounting Standards Board.

This report also presents a schedule of the District's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board.

This report also presents a schedule of District contributions to PERS over the most recent ten fiscal year period 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 \$10,068,143 as of June 30, 2016.

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

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1			
Condensed Statement of Net Position			
	June 30, 2016	June 30, 2015	Percentage
Assets			
Current assets	\$ 4,816,436	\$ 5,732,621	(15.98) %
Restricted assets	1,285,228	1,046,154	22.85 %
Capital assets, net	28,762,573	29,740,264	(3.29) %
Total assets	34,864,237	36,519,039	(4.53) %
Deferred outflows of resources	8,137,643	3,115,620	161.19 %
Liabilities			
Current liabilities	296,994	439,842	(32.48) %
Long-term debt outstanding	10,046,711	12,023,577	(16.44) %
Net pension liability	41,736,676	31,559,240	32.25 %
Total liabilities	52,080,381	44,022,659	18.30 %
Deferred inflows of resources	989,642	4,576,383	(78.38) %
Net position:			
Net investment in capital assets	19,094,378	18,189,264	4.98 %
Restricted	2,974,703	2,804,302	6.08 %
Unrestricted	(32,137,224)	(29,957,949)	7.27 %
Total net position	\$ (10,068,143)	\$ (8,964,383)	12.31 %

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

- Decrease in current assets in the amount of \$916,185, primarily due to a decrease in cash and cash equivalents of \$959,983.
- Decrease in net capital assets in the amount of \$977,691, primarily due to the increase in accumulated depreciation.
- Decrease in long-term debt outstanding in the amount of \$1,976,866, primarily due to principal payments on existing debt obligations.
- Increase in deferred outflows of resources in the amount of \$5,022,023, primarily due to financial reporting requirements for pensions. See Note 7 to the financial statements for details.
- Decrease in deferred inflows of resources in the amount of \$3,586,741, primarily due to financial reporting requirements for pensions. See Note 7 to the financial statements for details.
- Increase in net pension liability in the amount of \$10,177,436. See Note 7 to the financial statements for details.

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)	\$ (32,137,224)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including deferred outflows and deferred inflows related to pensions	<u>34,588,049</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,450,825</u>

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$30,865,304 and \$30,220,418, respectively. The total cost of all programs and services was \$31,969,064 for 2016 and \$28,613,423 for 2015.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 976,437	\$ 1,005,820	(2.92) %
Operating grants and contributions	4,421,154	4,481,094	(1.34) %
Capital Grants and Contributions	117,855	117,855	0.00 %
General revenues:			
Property taxes	6,600,250	6,737,207	(2.03) %
Grants and contributions not restricted	18,620,649	17,795,385	4.64 %
Investment earnings	10,258	11,230	(8.66) %
Other	118,701	71,827	65.26 %
Total revenues	30,865,304	30,220,418	2.13 %
Expenses:			
Instruction	16,853,236	16,373,665	2.93 %
Support services	8,512,915	7,796,895	9.18 %
Non-instructional	2,001,806	1,990,883	0.55 %
Pension expense	4,288,748	2,099,994	104.23 %
Interest on long-term liabilities	312,359	351,986	(11.26) %
Total expenses	31,969,064	28,613,423	11.73 %
Increase (Decrease) in net position	(1,103,760)	1,606,995	(168.68) %
Net Position, July 1, as previously reported	(8,964,383)	22,933,811	(139.09) %
Prior Period Adjustments	0	(33,505,189)	(100.00) %
Net Position, July 1, as restated	(8,964,383)	(10,571,378)	(15.20) %
Net Position, June 30	\$ (10,068,143)	\$ (8,964,383)	12.31 %

Figure 1
Sources of Revenues for Fiscal Year 2016

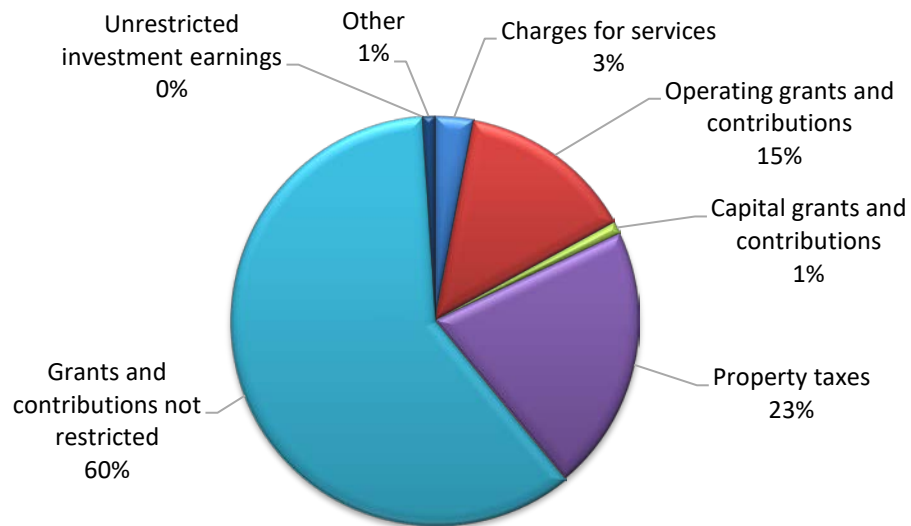
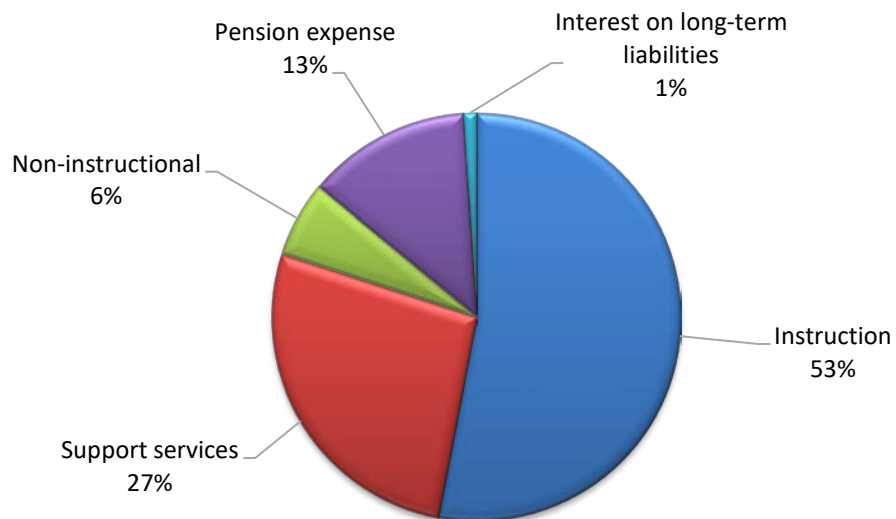


Figure 2
Expenses for Fiscal Year 2016



Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 16,853,236	\$ 16,373,665	2.93 %
Support services	8,512,915	7,796,895	9.18 %
Non-instructional	2,001,806	1,990,883	0.55 %
Pension expense	4,288,748	2,099,994	104.23 %
Interest on long-term liabilities	312,359	351,986	(11.26) %
Total expenses	\$ 31,969,064	\$ 28,613,423	11.73 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (14,195,591)	\$ (13,562,704)	4.67 %
Support services	(7,541,962)	(6,879,446)	9.63 %
Non-instructional	(114,958)	(114,524)	0.38 %
Pension expense	(4,288,748)	(2,099,994)	104.23 %
Interest on long-term liabilities	(312,359)	(351,986)	(11.26) %
Total net (expense) revenue	\$ (26,453,618)	\$ (23,008,654)	14.97 %

- Net cost of governmental activities (\$26,453,618) for 2016 and (\$23,008,654) for 2015 was financed by general revenue, which is primarily made up of property taxes (\$6,600,250 for 2016 and \$6,737,207 for 2015) and state and federal revenues (\$18,620,649 for 2016 and \$17,795,385 for 2015).
- Investment earnings amounted to \$10,258 for 2016 and \$11,230 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 \$5,754,486, a decrease of \$586,763, which includes a decrease in inventory of \$41,872. \$2,660,683 or 46% of the fund balance is unassigned, which primarily 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 \$3,093,803 or 54% is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$768,258. The fund balance of Other Governmental Funds showed a decrease in the amount of \$18,940. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ 7,820
QSCB Debt Retirement Fund	\$ 192,615

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$47,335,606, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$23,999 from 2015. Total accumulated depreciation as of June 30, 2016, was \$18,573,033, and total depreciation expense for the year was \$1,059,712, resulting in total net capital assets of \$28,762,573.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 1,161,634	\$ 1,161,634	0.00 %
Construction-in-progress	83,414	-0-	N/A %
Buildings	23,772,467	24,470,311	(2.85) %
Building improvements	841,188	883,640	(4.80) %
Improvements other than buildings	938,871	982,770	(4.47) %
Mobile equipment	1,827,610	2,063,421	(11.43) %
Furniture and equipment	137,389	178,488	(23.03) %
Total	\$ 28,762,573	\$ 29,740,264	(3.29) %

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

Debt Administration. At June 30, 2016, the District had \$10,046,711 in outstanding long-term debt, of which \$1,526,027 is due within one year. The liability for compensated absences increased \$4,798 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2016	June 30, 2015	Percentage Change
General obligation bonds payable	\$ 1,895,000	\$ 2,475,000	(23.43) %
Limited obligation refunding bonds payable	1,548,000	2,028,000	(23.67) %
Certificates of participation payable	390,000	665,000	(41.35) %
Three mill notes payable	1,819,000	2,256,000	(19.37) %
Obligations under capital lease	1,143,195	1,254,000	(8.84) %
Shortfall notes payable	33,950	132,809	(74.44) %
Qualified School Construction bonds payable	2,873,000	2,873,000	0.00 %
Compensated absences payable	344,566	339,768	1.41 %
Total	<u>\$ 10,046,711</u>	<u>\$ 12,023,577</u>	<u>(16.44) %</u>

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

CURRENT ISSUES

The Itawamba 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 local, state and federal revenues.

Enrollment for the 2015- 2016 year decreased by 5% to 3,370 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

FINANCIAL STATEMENTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,793,912
Due from other governments	969,985
Other receivables, net	10,622
Inventories	41,917
Restricted assets	1,285,228
Capital assets, non-depreciable:	
Land	1,161,634
Construction in progress	83,414
Capital assets, net of accumulated depreciation:	
Buildings	23,772,467
Building improvements	841,188
Improvements other than buildings	938,871
Mobile equipment	1,827,610
Furniture and equipment	137,389
Total Assets	<u>34,864,237</u>
Deferred Outflows of Resources	
Current:	
Deferred outflows related to pensions	4,772,389
Noncurrent:	
Deferred outflows related to pensions	3,365,254
Total deferred outflows of resources	<u>8,137,643</u>
Liabilities	
Accounts payable and accrued liabilities	180,901
Unearned revenue	38,910
Interest payable on long-term liabilities	77,183
Long-term liabilities, due within one year:	
Capital related liabilities	1,504,819
Non-capital related liabilities	21,208
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,163,376
Non-capital related liabilities	357,308
Net pension liability	41,736,676
Total Liabilities	<u>52,080,381</u>
Deferred Inflows of Resources	
Current:	
Unavailable revenue - advalorem tax levy shortfall	626
Pensions - Net difference between projected and actual earnings on investments	533,175
Noncurrent:	
Pensions - Net difference between projected and actual earnings on investments	455,841
Total deferred inflows of resources	<u>989,642</u>
Net Position	
Net investment in capital assets	19,094,378
Restricted for:	
Expendable:	
School-based activities	555,126
Debt service	2,203,241
Capital improvements	125,227
Unemployment benefits	91,109
Unrestricted	(32,137,224)
Total Net Position	<u>\$ (10,068,143)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit B

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating	Capital	
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 16,853,236	592,292	2,065,353		\$ (14,195,591)
Support services	8,512,915		853,098	117,855	(7,541,962)
Non-instructional	2,001,806	384,145	1,502,703		(114,958)
Pension expense	4,288,748				(4,288,748)
Interest on long-term liabilities	<u>312,359</u>				<u>(312,359)</u>
Total Governmental Activities	\$ <u>31,969,064</u>	<u>976,437</u>	<u>4,421,154</u>	<u>117,855</u>	\$ <u>(26,453,618)</u>
General Revenues:					
Taxes:					
General purpose levies					\$ 5,494,149
Debt purpose levies					1,106,101
Unrestricted grants and contributions:					
State					18,489,218
Federal					131,431
Unrestricted investment earnings					10,258
Other					<u>118,701</u>
Total General Revenues					<u>25,349,858</u>
Change in Net Position					<u>(1,103,760)</u>
Net Position - Beginning					(8,964,383)
Net Position - Ending					\$ <u>(10,068,143)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2016**

Exhibit C

	Major Funds			Other	Total
	General	School	QSCB Debt	Governmental	Governmental
	Fund	Food Service	Retirement	Funds	Funds
Assets					
Cash and cash equivalents	\$ 2,852,906	250		940,756	\$ 3,793,912
Cash with fiscal agents				251,318	251,318
Investments			1,033,910		1,033,910
Due from other governments	338,667	106,427		406,532	851,626
Other Receivables	1,614				1,614
Due from other funds	256,558			254,905	511,463
Inventories		41,917			41,917
Total Assets	\$ 3,449,745	148,594	1,033,910	1,853,511	\$ 6,485,760
Liabilities and Fund Balances					
Liabilities:					
Accounts payable					
and accrued liabilities	\$ 162,739	10,645		7,517	\$ 180,901
Due to other funds	253,130	130,129		128,204	511,463
Unearned revenue			38,910		38,910
Total Liabilities	415,869	140,774	38,910	135,721	731,274
Fund Balances:					
Nonspendable:					
Inventory		41,917			41,917
Restricted:					
Debt service			995,000	1,285,424	2,280,424
Capital projects				125,227	125,227
Unemployment benefits				91,109	91,109
Assigned:					
Student activities	339,096			216,030	555,126
Unassigned	2,694,780	(34,097)			2,660,683
Total Fund Balances	3,033,876	7,820	995,000	1,717,790	5,754,486
Total Liabilities					
and Fund Balances	\$ 3,449,745	148,594	1,033,910	1,853,511	\$ 6,485,760

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
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	\$	5,754,486
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	\$	1,161,634
Construction in progress		83,414
Buildings		37,009,059
Building improvements		1,061,295
Improvements other than buildings		1,849,373
Mobile equipment		5,216,453
Furniture and equipment		954,378
Accumulated depreciation		(18,573,033)
		<u>28,762,573</u>
2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Due from other governments - ad valorem tax levy shortfall	13,061	
Deferred inflows of resources related to ad valorem tax levy shortfall	(626)	
Due from other governments - erate revenue	73,520	
Due from other governments - extended school year revenue	31,778	
Other long-term receivables	9,008	
		<u>126,741</u>
3. 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		(41,736,676)
4. Deferred outflows and inflows are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	8,137,643	
Deferred inflows of resources related to pensions	(989,016)	
		<u>7,148,627</u>
5. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(1,895,000)	
Limited obligation bonds	(1,548,000)	
Qualified school construction bonds	(2,873,000)	
Obligations under certificates of participation	(390,000)	
Obligations under three mill notes	(1,819,000)	
Obligations under shortfall notes	(33,950)	
Obligations under capital lease	(1,143,195)	
Compensated absences	(344,566)	
Accrued interest payable	(77,183)	
		<u>(10,123,894)</u>
Net position of governmental activities	\$	<u>(10,068,143)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit D

	Major Funds			Other	Total
	General	School	QSCB Debt	Governmental	Governmental
	Fund	Food Service	Retirement	Funds	Funds
		Fund	Fund		
Revenues:					
Local sources	\$ 6,235,039	385,395		1,131,389	\$ 7,751,823
State sources	18,144,227	18,468		1,142,027	19,304,722
Federal sources	468,741	1,543,167		1,843,453	3,855,361
Total Revenues	<u>24,848,007</u>	<u>1,947,030</u>	<u>-0-</u>	<u>4,116,869</u>	<u>30,911,906</u>
Expenditures:					
Instruction	16,413,825			1,850,376	18,264,201
Support services	7,976,265	111,829		657,673	8,745,767
Noninstructional services		1,934,065		35,211	1,969,276
Facilities acquisition and construction	83,414				83,414
Debt service:					
Principal	385,805			1,595,859	1,981,664
Interest	85,915			324,757	410,672
Other	3,140			3,200	6,340
Total Expenditures	<u>24,948,364</u>	<u>2,045,894</u>	<u>-0-</u>	<u>4,467,076</u>	<u>31,461,334</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(100,357)</u>	<u>(98,864)</u>	<u>-0-</u>	<u>(350,207)</u>	<u>(549,428)</u>
Other Financing Sources (Uses):					
Insurance recovery	4,537				4,537
Operating transfers in	5,617	148,556	192,615	590,650	937,438
Operating transfers out	(678,055)			(259,383)	(937,438)
Total Other Financing Sources (Uses)	<u>(667,901)</u>	<u>148,556</u>	<u>192,615</u>	<u>331,267</u>	<u>4,537</u>
Net Change in Fund Balances	<u>(768,258)</u>	<u>49,692</u>	<u>192,615</u>	<u>(18,940)</u>	<u>(544,891)</u>
Fund Balances:					
July 1, 2015	3,802,134	-0-	802,385	1,736,730	6,341,249
Decrease in reserve for inventory		(41,872)			(41,872)
June 30, 2016	<u>\$ 3,033,876</u>	<u>7,820</u>	<u>995,000</u>	<u>1,717,790</u>	<u>\$ 5,754,486</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (544,891)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	90,541	
Depreciation expense	<u>(1,059,712)</u>	(969,171)

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.

(8,520)

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 issuance costs, 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	1,981,664	
Accrued interest payable	<u>104,653</u>	2,086,317

4. Pension plan contributions are recognized as expenditures in the governmental funds. However, these contributions are treated as a reduction to the overall net pension liability and are not reported in the Statement of Activities.

2,719,063

5. Pension expense is recognized under the accrual basis of accounting in the Statement of Activities, but is not reported in the governmental funds.

(4,288,748)

6. 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:

Ad valorem tax levy shortfall	(21,020)	
Change in long-term receivables	(30,120)	
Change in compensated absences	(4,798)	
Change in inventory reserve	<u>(41,872)</u>	(97,810)

Change in net position of governmental activities \$ (1,103,760)

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS STATEMENT OF
FIDUCIARY ASSETS AND LIABILITIES
FOR YEAR ENDED JUNE 30, 2016**

Exhibit E

	Agency Funds
	<u> </u>
Assets	
Cash and cash equivalents	\$ 100,297
Total Assets	\$ <u>100,297</u>
 Liabilities	
Due to student clubs	\$ 100,297
Total Liabilities	\$ <u>100,297</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund – This special revenue fund is used to account for expenditures associated with food service provided to children.

QSCB Debt Retirement Fund – This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's Qualified School Construction Bond issue.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

School Agency Account Funds – These funds are used to account for student club funds.

Accounts Payable Clearing Fund – This fund is used to account for the payment of all claims against the school district.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

FIDUCIARY FUNDS

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

D. Encumbrances

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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 School Construction Bond sinking funds.

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 and construction-in-progress.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Construction-in-progress	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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

See Note 7 and 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).

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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, Deferred Debt Expense, 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. Bond issuance costs are expensed immediately when incurred.

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

10. Pensions

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

11. Fund Balances

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

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted 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 (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 (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 assigned resources first, and then unassigned amounts.

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

Note 2: Cash and Cash Equivalents, 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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) and bond sinking funds (Debt Service 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 \$3,793,912 and \$100,297, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$251,318.

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Trustmark Treasury Securities			
Market Mutual Funds	AAAm	N/A	\$ 1,033,910

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The instruments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 130,129
General Fund	Other Governmental Funds	126,429
Other Governmental Funds	General Fund	253,130
Other Governmental Funds	Other Governmental Funds	1,775
Total		<u>\$ 511,463</u>

The purpose of the Due from/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 148,556
General Fund	QSCB Sinking Fund	192,615
General Fund	Other Governmental Funds	336,884
Other Governmental Funds	General Fund	5,617
Other Governmental Funds	Other Governmental Funds	253,766
Total		<u>\$ 937,438</u>

Transfers were made for budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 4: Restricted Assets

The restricted assets represent the cash with fiscal agent balance in the amount of \$251,318 of the MAEP Bonds Capitalized Interest Fund. In addition, the restricted assets represent the investment balance totaling \$1,033,910 of the QSCB Debt Retirement Fund

Note 5: Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,161,634			\$ 1,161,634
Construction-in-progress	-0-	83,414		83,414
Total non-depreciable capital assets	<u>1,161,634</u>	<u>83,414</u>	<u>-0-</u>	<u>1,245,048</u>
<u>Depreciable capital assets:</u>				
Buildings	37,009,059			37,009,059
Building improvements	1,061,295			1,061,295
Improvements other than buildings	1,849,373			1,849,373
Mobile equipment	5,291,276	7,127	81,950	5,216,453
Furniture and equipment	986,968		32,590	954,378
Total depreciable capital assets	<u>46,197,971</u>	<u>7,127</u>	<u>114,540</u>	<u>46,090,558</u>
<u>Less accumulated depreciation for:</u>				
Buildings	12,538,748	697,844		13,236,592
Building improvements	177,655	42,452		220,107
Improvements other than buildings	866,603	43,899		910,502
Mobile equipment	3,227,855	234,743	73,755	3,388,843
Furniture and equipment	808,480	40,774	32,265	816,989
Total accumulated depreciation	<u>17,619,341</u>	<u>1,059,712</u>	<u>106,020</u>	<u>18,573,033</u>
Total depreciable capital assets, net	<u>28,578,630</u>	<u>(1,052,585)</u>	<u>8,520</u>	<u>27,517,525</u>
Governmental activities capital assets, net	<u>\$ 29,740,264</u>	<u>(969,171)</u>	<u>8,520</u>	<u>\$ 28,762,573</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 592,947
Support services	396,909
Non-instructional	<u>69,856</u>
Total depreciation expense	<u>\$ 1,059,712</u>

Commitments with respect to unfinished capital projects at June 30, 2016 consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Mantachie Gym	\$ -0-	July 31, 2016

Note 6: Long-term Liabilities

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

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 2,475,000	\$	\$ 580,000	\$ 1,895,000	\$ 605,000
B. Limited obligation refunding bonds payable	2,028,000		480,000	1,548,000	496,000
C. Certificates of participation payable	665,000		275,000	390,000	290,000
D. Three mill notes payable	2,256,000		437,000	1,819,000	
E. Shortfall notes payable	132,809		98,859	33,950	21,208
F. Obligations under capital leases	1,254,000		110,805	1,143,195	113,819
G. Qualified school construction bonds payable	2,873,000			2,873,000	
H. Compensated absences payable	339,768	4,798		344,566	
Total	<u>\$ 12,023,577</u>	<u>\$ 4,798</u>	<u>\$ 1,981,664</u>	<u>\$ 10,046,711</u>	<u>\$ 1,526,027</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2003	3.5 - 4.0%	4/1/2003	4/1/2019	\$ 6,700,000	1,895,000
Total				\$ 6,700,000	1,895,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 605,000	\$ 71,393	\$ 676,393
2018	630,000	48,705	678,705
2019	660,000	25,080	685,080
Total	\$ 1,895,000	\$ 145,178	\$ 2,040,178

This debt will be retired from the Bond Issue Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2015.

B. 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 bonds, Series 2008	3.32%	4/15/2008	2/1/2018	\$ 4,282,000	1,548,000
Total				\$ 4,282,000	1,548,000

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

B. Limited obligation refunding bonds payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 496,000	\$ 43,160	\$ 539,160
2018	1,052,000	26,411	1,078,411
Total	<u>\$ 1,548,000</u>	<u>\$ 69,571</u>	<u>\$ 1,617,571</u>

This debt will be retired from the MAEP Debt Fund.

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

C. Certificates of participation payable

As more fully explained in Note 11, certificates of participation have been issued by the school district. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1998	4.5-5.7%	6/1/1998	6/1/2018	\$ 1,300,000	195,000
Series 2001	3.1-4.8%	10/1/2001	10/1/2016	2,200,000	195,000
Total				<u>\$ 3,500,000</u>	<u>390,000</u>

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

1. Certificates of participation issue date of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2017	\$ 95,000	\$ 9,555	\$ 104,555
2018	100,000	4,900	104,900
Total	<u>\$ 195,000</u>	<u>\$ 14,455</u>	<u>\$ 209,455</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

C. Certificates of participation payable (Continued)

2. Certificates of Participation issue date of 10/1/2001:

Year Ending June 30	Principal	Interest	Total
2017	\$ 195,000	\$ 4,680	\$ 199,680
Total	\$ 195,000	\$ 4,680	\$ 199,680

This debt will be retired from the District Maintenance fund.

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 290,000	\$ 14,235	\$ 304,235
2018	100,000	4,900	104,900
Total	\$ 390,000	\$ 19,135	\$ 409,135

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009	3.97%	7/15/2008	7/15/2023	\$ 3,500,000	1,819,000
Total				\$ 3,500,000	1,819,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ -0-	\$ -0-	\$ -0-
2018	260,000	72,214	332,214
2019	330,000	61,892	391,892
2020-2024	1,229,000	136,806	1,365,806
Total	\$ 1,819,000	\$ 270,912	\$ 2,089,912

The debt will be retired from the Three Mill Debt Retirement Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2013	2.23%	10/15/2013	10/15/2016	\$ 25,758	8,776
Series 2014	2.50%	11/10/2014	11/10/2017	37,303	25,174
Total				<u>\$ 63,061</u>	<u>33,950</u>

1. Shortfall notes payable issue of 10/15/2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 8,776	\$ 196	\$ 8,972
Total	<u>\$ 8,776</u>	<u>\$ 196</u>	<u>\$ 8,972</u>

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

2. Shortfall notes payable issue of 11/10/2014:

Year Ending June 30	Principal	Interest	Total
2017	\$ 12,432	\$ 629	\$ 13,061
2018	12,742	319	13,061
Total	<u>\$ 25,174</u>	<u>\$ 948</u>	<u>\$ 26,122</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 21,208	\$ 825	\$ 22,033
2018	12,742	319	13,061
Total	<u>\$ 33,950</u>	<u>\$ 1,144</u>	<u>\$ 35,094</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

F. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$1,244,000. This lease qualifies as a capital lease for accounting purposes. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under					
capital lease	2.72%	12/15/2014	12/15/2024	\$ 1,254,000	1,143,195
Total				<u>\$ 1,254,000</u>	<u>1,143,195</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 113,819	\$ 31,095	\$ 144,914
2018	116,915	27,999	144,914
2019	120,095	24,819	144,914
2020	123,362	21,552	144,914
2021	126,717	18,197	144,914
2022-2026	542,287	37,370	579,657
Total	<u>\$ 1,143,195</u>	<u>\$ 161,032</u>	<u>\$ 1,304,227</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 6: Long-term Liabilities (Continued)

G. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	0.84%	1/15/2010	9/15/2024	\$ 3,000,000	2,873,000
Total				<u>\$ 3,000,000</u>	<u>2,873,000</u>

See Note 12 for additional details pertaining to the above debt issue including a schedule of required sinking fund payments.

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

H. Compensated absences payable

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

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 7: Defined Benefit Pension Plan (Continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,719,063, \$2,623,305 and \$2,483,761, 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 \$41,736,676 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 0.27 percent, which was based on a measurement date of June 30, 2015. The school district's proportionate share used to calculate the June 30, 2015 net pension liability was 0.26 percent, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,288,748. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 7: Defined Benefit Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 957,529	\$ -0-
Net difference between projected and actual earnings on pension plan investments	-0-	989,016
Changes in proportionate share	865,579	-0-
Changes of assumptions	3,595,472	-0-
District contributions subsequent to the measurement date	2,719,063	-0-
Total	\$ <u>8,137,643</u>	\$ <u>989,016</u>

\$2,719,063 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,520,151
2018	1,481,190
2019	817,713
2020	610,510
Total	\$ <u>4,429,564</u>

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 7: Defined Benefit Pension Plan (Continued)

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:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 55,012,762	\$ 41,736,676	\$ 30,720,006

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 8: Deficit Fund Balance of Individual Funds

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

Fund	Fund Balance
<i>Other Governmental Funds:</i>	
Extended School Year Fund	(31,778)

The deficit fund balance, as listed above, is in violation of Section 37-61-19, Miss. Code Ann. (1972). This deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 9: Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome 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 10: Risk Management

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 11: Trust Certificates

A trust agreement date June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

Another trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 12: Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$1,033,910. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2017	\$ 187,500
2018	187,500
2019	187,500
2020	187,500
2021	187,500
2022-2026	937,500
Total	\$ <u>1,875,000</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016**

Note 13: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,137,224) includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$957,529 balance of the net deferred outflow of resources at June 30, 2016 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$989,016 balance of the net deferred inflow of resources at June 30, 2016 will be recognized as income and increase unrestricted net position over the next 4 years.

Unrestricted net position also includes the effect of deferring the recognition of changes in proportionate share relating to the defined benefit pension plan. The \$865,579 balance of the net deferred outflow of resources at June 30, 2016 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of changes of assumptions relating to the defined benefit pension plan. The \$3,595,472 balance of the net deferred outflow of resources at June 30, 2016 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes district contributions made subsequent to the measurement date of the defined benefit pension plan. The \$2,719,063 balance of the deferred outflow of resources will be recognized as expense and decrease unrestricted net position in the year ended June 30, 2017.

Unrestricted net position also includes the effect of deferring the recognition of debt service reimbursements for shortfall note interest payments. The \$626 balance of the deferred inflow of resources at June 30, 2016 will be recognized as income and increase restricted net position in the following year.

Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Itawamba County School District evaluated the activity of the district through January 13, 2017, (the date the financial statements were available to be issued), and determined no subsequent event has occurred that requires disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,020,891	\$ 5,806,329	\$ 6,235,039	\$ (214,562)	\$ 428,710
State sources	18,819,752	18,558,298	18,144,227	(261,454)	(414,071)
Federal sources	496,744	453,666	468,741	(43,078)	15,075
Total Revenues	<u>25,337,387</u>	<u>24,818,293</u>	<u>24,848,007</u>	<u>(519,094)</u>	<u>29,714</u>
Expenditures:					
Instruction	16,287,526	16,413,825	16,413,825	(126,299)	-0-
Support services	7,579,246	7,882,471	7,976,265	(303,225)	(93,794)
Facilities acquisition and construction	-0-	177,208	83,414	(177,208)	93,794
Debt service:					
Principal	385,805	150,095	385,805	235,710	(235,710)
Interest	61,781	85,915	85,915	(24,134)	-0-
Other	5,500	3,140	3,140	2,360	-0-
Total Expenditures	<u>24,319,858</u>	<u>24,712,654</u>	<u>24,948,364</u>	<u>(392,796)</u>	<u>(235,710)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,017,529</u>	<u>105,639</u>	<u>(100,357)</u>	<u>(911,890)</u>	<u>(205,996)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-0-	4,537	4,537	4,537	-0-
Operating transfers in	3,456,733	2,965,714	5,617	(491,019)	(2,960,097)
Operating transfers out	(4,136,991)	(3,640,584)	(678,055)	496,407	2,962,529
Total Other Financing Sources (Uses)	<u>(680,258)</u>	<u>(670,333)</u>	<u>(667,901)</u>	<u>9,925</u>	<u>2,432</u>
Net Change in Fund Balances	<u>337,271</u>	<u>(564,694)</u>	<u>(768,258)</u>	<u>(901,965)</u>	<u>(203,564)</u>
Fund Balances:					
July 1, 2015	5,422,172	3,928,447	3,802,134	(1,493,725)	(126,313)
June 30, 2016	<u>\$ 5,759,443</u>	<u>\$ 3,363,753</u>	<u>\$ 3,033,876</u>	<u>\$ (2,395,690)</u>	<u>\$ (329,877)</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SCHOOL FOOD SERVICE FUND
FOR YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 431,075	\$ 382,473	\$ 385,395	\$ (48,602)	\$ 2,922
State sources	-0-	-0-	18,468	-0-	18,468
Federal sources	1,659,000	1,564,097	1,543,167	(94,903)	(20,930)
Total Revenues	2,090,075	1,946,570	1,947,030	(143,505)	460
Expenditures:					
Support services	117,576	111,829	111,829	5,747	-0-
Noninstructional services	1,961,786	1,975,937	1,934,065	(14,151)	41,872
Total Expenditures	2,079,362	2,087,766	2,045,894	(8,404)	41,872
Excess (Deficiency) of Revenues over (under) Expenditures	10,713	(141,196)	(98,864)	(151,909)	42,332
Other Financing Sources (Uses):					
Operating transfers in	-0-	148,556	148,556	148,556	-0-
Total Other Financing Sources (Uses)	-0-	148,556	148,556	148,556	-0-
Net Change in Fund Balances	10,713	7,360	49,692	(3,353)	42,332
Fund Balances:					
July 1, 2015, as previously reported	43,486	2,599	-0-	(40,887)	(2,599)
Decrease in reserve for inventory			(41,872)		(41,872)
June 30, 2016	\$ 54,199	\$ 9,959	\$ 7,820	\$ (44,240)	\$ (2,139)

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.27%	0.26%
District's proportionate share of the net pension liability	\$ 41,736,676	31,559,240
District's covered-employee payroll	16,655,905	15,769,911
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.58%	200.12%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,719,063	\$ 2,623,305
Contributions in relation to the contractually required contribution	(2,719,063)	(2,623,305)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
 District's covered-employee payroll	 17,263,887	 16,655,905
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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2016**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) 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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 399,465
National school lunch program	10.555	1,137,943
Total child nutrition cluster		1,537,408
Total passed-through Mississippi Department of Education		1,537,408
Total U.S. Department of Agriculture		1,537,408
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The School Libraries Program of the Universal Service Fund	32.XXX	410,830
Total Federal Communications Commission		410,830
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	41,213
Rural education	84.358	73,895
Improving teacher quality-State Grants	84.367	161,221
Subtotal		276,329
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	722,346
Total Title I Part A cluster		722,346
Special education cluster:		
Special education - grants to states	84.027	696,210
Special education - preschool grants	84.173	61,234
Total special education cluster		757,444
Total passed-through Mississippi Department of Education		1,756,119
Total U.S. Department of Education		1,756,119
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	11,749
Total U.S. Department of Health and Human Services		11,749
Total for All Federal Awards		\$ 3,716,106

NOTES TO SCHEDULE

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR 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 \$	17,757,994	14,119,815	554,946	1,319,866	1,763,367
Other	13,703,340	6,552,646	468,394	491,145	6,191,155
Total	\$ 31,461,334	20,672,461	1,023,340	1,811,011	7,954,522
Total number of students	3,370				
Cost per student	\$ 9,335	6,134	304	537	2,360

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 - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS**

		UNAUDITED		
	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 6,235,039	\$ 6,184,765	\$ 5,973,147	\$ 5,768,986
State sources	18,144,227	17,338,933	16,545,279	16,531,955
Federal sources	468,741	199,266	174,269	120,781
Total Revenues	<u>24,848,007</u>	<u>23,722,964</u>	<u>22,692,695</u>	<u>22,421,722</u>
Expenditures:				
Instruction	16,413,825	15,607,580	14,816,544	14,592,681
Support services	7,976,265	8,786,118	7,481,464	7,018,096
Facilities acquisition and construction	83,414	-0-	-0-	43,767
Debt service:				
Principal	385,805	260,000	250,000	80,000
Interest	85,915	40,210	77,160	29,813
Other	3,140	4,990	3,065	3,040
Total Expenditures	<u>24,948,364</u>	<u>24,698,898</u>	<u>22,628,233</u>	<u>21,767,397</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(100,357)</u>	<u>(975,934)</u>	<u>64,462</u>	<u>654,325</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-0-	37,303	25,758	228,393
Proceeds of capital lease	-0-	1,254,000	-0-	-0-
Insurance recovery	4,537	-0-	-0-	-0-
Operating transfers in	5,617	782,978	-0-	800,250
Operating transfers out	(678,055)	(946,121)	(1,360,470)	(683,510)
Total Other Financing Sources (Uses)	<u>(667,901)</u>	<u>1,128,160</u>	<u>(1,334,712)</u>	<u>345,133</u>
Net Change in Fund Balances	<u>(768,258)</u>	<u>152,226</u>	<u>(1,270,250)</u>	<u>999,458</u>
Fund Balances:				
Beginning of period, as originally reported	3,802,134	3,809,908	5,080,158	4,080,700
Prior period adjustments	-0-	(160,000)	-0-	-0-
Beginning of period, as restated	<u>3,802,134</u>	<u>3,649,908</u>	<u>5,080,158</u>	<u>4,080,700</u>
End of Period	\$ <u>3,033,876</u>	\$ <u>3,802,134</u>	\$ <u>3,809,908</u>	\$ <u>5,080,158</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

		UNAUDITED			
	2016	2015*	2014*	2013*	
Revenues:					
Local sources	\$ 7,751,823	\$ 7,923,235	\$ 7,762,909	\$ 7,561,749	
State sources	19,304,722	18,544,172	17,797,409	17,821,036	
Federal sources	3,855,361	3,888,365	2,760,029	3,516,326	
Total Revenues	<u>30,911,906</u>	<u>30,355,772</u>	<u>28,320,347</u>	<u>28,899,111</u>	
Expenditures:					
Instruction	18,264,201	17,695,035	16,685,973	17,327,874	
Support services	8,745,767	9,502,521	8,221,301	7,725,714	
Noninstructional services	1,969,276	2,043,635	2,087,864	1,603,703	
Sixteenth Section	-0-	-0-	-0-	2,035	
Facilities acquisition and construction	83,414	-0-	-0-	1,029,905	
Debt service:					
Principal	1,981,664	1,955,587	1,855,235	1,826,059	
Interest	410,672	361,474	424,373	481,745	
Other	6,340	6,240	8,205	7,930	
Total Expenditures	<u>31,461,334</u>	<u>31,564,492</u>	<u>29,282,951</u>	<u>30,004,965</u>	
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(549,428)</u>	<u>(1,208,720)</u>	<u>(962,604)</u>	<u>(1,105,854)</u>	
Other Financing Sources (Uses):					
Bonds and notes issued	-0-	37,303	25,758	228,393	
Insurance recovery	4,537	-0-	-0-	-0-	
Proceeds of capital lease	-0-	1,254,000	-0-	-0-	
Payment held by escrow agent	-0-	-0-	-0-	175,000	
Payment to QSCB escrow agent	-0-	-0-	-0-	(175,000)	
Operating transfers in	937,438	1,729,099	1,375,238	1,483,760	
Operating transfers out	(937,438)	(1,729,099)	(1,375,238)	(1,483,760)	
Total Other Financing Sources (Uses)	<u>4,537</u>	<u>1,291,303</u>	<u>25,758</u>	<u>228,393</u>	
Net Change in Fund Balances	<u>(544,891)</u>	<u>82,583</u>	<u>(936,846)</u>	<u>(877,461)</u>	
Fund Balances:					
Beginning of period, as originally reported	6,341,249	6,283,911	7,254,654	8,140,111	
Prior period adjustments	-0-	(65,840)	(18,768)	(21,987)	
Beginning of period, as restated	<u>6,341,249</u>	<u>6,218,071</u>	<u>7,235,886</u>	<u>8,118,124</u>	
Increase (Decrease) in reserve for inventory	<u>(41,872)</u>	<u>40,595</u>	<u>(15,129)</u>	<u>13,991</u>	
End of Period	<u>\$ 5,754,486</u>	<u>\$ 6,341,249</u>	<u>\$ 6,283,911</u>	<u>\$ 7,254,654</u>	

*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
Itawamba 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 Itawamba 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 District's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, MS
January 13, 2017

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

We have audited Itawamba 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 the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the District's internal control over compliance.

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

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

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

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Tupelo, MS
January 13, 2017

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

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, MS
January 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR 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 weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | 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:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2016**

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

ITAWAMBA COUNTY SCHOOL DISTRICT
605 South Cummings Street
Fulton, Mississippi 38843

Michael Nanney
Superintendent of Education

Telephone: (662) 862-2159
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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 CFR 200.511(b), Itawamba County School District has prepared and hereby submits the following summary schedule of prior findings as of June 30, 2016.

<u>Finding</u>	<u>Status</u>
2015-2	Corrected
2015-3	Corrected
2015-4	Corrected
2015-5	Corrected
2015-6	Corrected