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**Okolona Municipal Separate School District**

Audited Financial Statements  
For the Year Ended June 30, 2016

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Okolona Municipal Separate School District**  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Okolona Municipal Separate School District

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Okolona Municipal Separate School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 19 and 60 to 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the Okolona Municipal Separate 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 Okolona Municipal Separate School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
March 27, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Okolona Municipal Separate School District**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2016**

The following discussion and analysis of Okolona Municipal Separate 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 \$750,596, including a prior period adjustment of (\$128,422), which represents an 18% decrease from fiscal year 2015. Total net position for 2015 decreased \$6,821,445, including a prior period adjustment of (\$7,449,855), which represents a 267% decrease from fiscal year 2014.
- General revenues amounted to \$5,412,091 and \$5,151,416, or 73% and 72% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,013,751, or 27% of total revenues for 2016, and \$1,976,625, or 28% of total revenues for 2015.
- The District had \$8,048,016 and \$6,499,631 in expenses for fiscal years 2016 and 2015; only \$2,013,751 for 2016 and only \$1,976,625 for 2015 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,412,091 for 2016 were not adequate to provide for these programs. However, general revenues of \$5,151,416, for 2015 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$5,109,682 in revenues and \$4,577,817 in expenditures for 2016, and \$4,876,219 in revenues and \$4,356,478 in expenditures for 2015. The General Fund's fund balance increased by \$60,514 from 2015 to 2016, and increased by \$10,470, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$82,292 for 2016 and increased by \$36,775 for 2015. The increase for 2016 was primarily due to additions to construction in progress and furniture and equipment.
- Long-term debt, including premiums, decreased by \$695,494 for 2016 and increased by \$1,681,285 for 2015. The decrease for 2016 was due primarily to principal payments made on outstanding long-term debt. The liability for compensated absences increased by \$6,162 for 2016 and increased by \$6,970 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.

**Okolona Municipal Separate School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

**Okolona Municipal Separate School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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

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

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

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

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

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

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

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

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

**Okolona Municipal Separate School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**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 \$5,019,967 as of June 30, 2016.

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

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

**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 1,947,306	4,031,623	(52)%
Restricted assets	527,183	570	92,388%
Capital assets, net	<u>2,786,992</u>	<u>2,704,700</u>	3%
<b>Total assets</b>	<u>5,261,481</u>	<u>6,736,893</u>	(22)%
 <b>Deferred outflows of resources</b>	 <u>1,708,901</u>	 <u>639,793</u>	 167%
 Current liabilities	 113,977	 293,836	 (61)%
Long-term debt outstanding	2,871,980	3,561,312	(19)%
Net pension liability	<u>8,475,638</u>	<u>6,348,263</u>	34%
<b>Total liabilities</b>	<u>11,461,595</u>	<u>10,203,411</u>	12%
 <b>Deferred inflows of resources</b>	 <u>528,754</u>	 <u>1,442,646</u>	 (63)%
 <b>Net position:</b>			
Net investment in capital assets	390,838	181,686	115%
Restricted	1,178,837	2,617,196	(55)%
Unrestricted	<u>(6,589,642)</u>	<u>(7,068,253)</u>	7%
<b>Total net position (deficit)</b>	<u>\$ (5,019,967)</u>	<u>(4,269,371)</u>	(18)%

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)	\$ (6,589,642)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>7,295,491</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 705,849</u>

**Okolona Municipal Separate School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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

- Increase in net capital assets in the amount of \$82,292.
- The principal retirement of \$695,173 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$7,425,842 and \$7,128,041, respectively. The total cost of all programs and services was \$8,048,016 for 2016 and \$6,499,631 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.

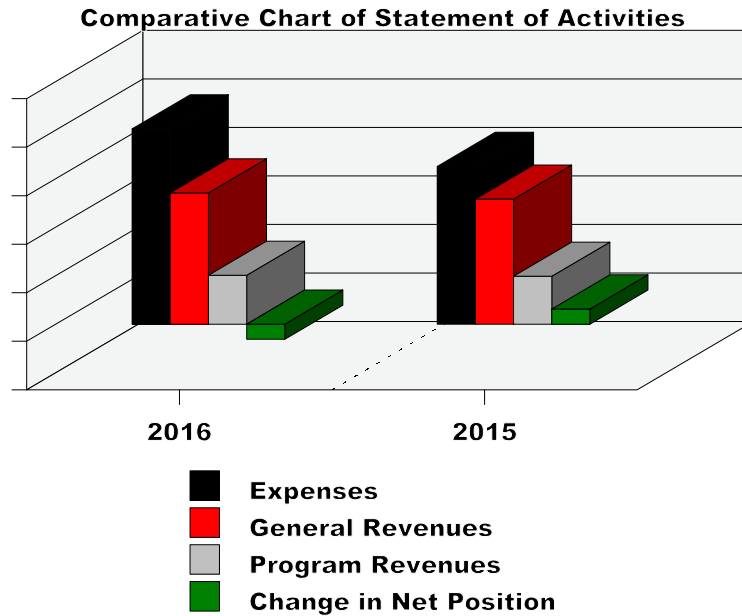
**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 93,097	104,547	(11)%
Operating grants and contributions	1,920,654	1,872,078	3%
Total program revenues	<u>2,013,751</u>	<u>1,976,625</u>	2%
General Revenues:			
Property taxes	1,476,793	1,375,318	7%
Grants and contributions not restricted	3,902,423	3,710,859	5%
Unrestricted investment earnings	7,612	17,094	(55)%
Other	<u>25,263</u>	<u>48,145</u>	(48)%
Total general revenues	<u>5,412,091</u>	<u>5,151,416</u>	5%
<b>Total revenues</b>	<u>7,425,842</u>	<u>7,128,041</u>	4%
<b>Expenses:</b>			
Instruction	3,375,518	3,241,117	4%
Support services	3,450,460	2,604,655	32%
Non-instructional	416,236	371,722	12%
Pension expense	709,906	242,023	193%
Interest on long-term liabilities	<u>95,896</u>	<u>40,114</u>	139%
<b>Total expenses</b>	<u>8,048,016</u>	<u>6,499,631</u>	24%
<b>Increase (Decrease) in net position</b>	<u>(622,174)</u>	<u>628,410</u>	(199)%
<b>Net Position (Deficit), July 1, as previously reported</b>	(4,269,371)	2,552,074	(267)%
<b>Prior period adjustment</b>	<u>(128,422)</u>	<u>(7,449,855)</u>	98%
<b>Net position (Deficit), July 1, as restated</b>	<u>(4,397,793)</u>	<u>(4,897,781)</u>	10%
<b>Net Position (Deficit), June 30</b>	<u>\$ (5,019,967)</u>	<u>(4,269,371)</u>	(18)%



**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**



### Governmental activities

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

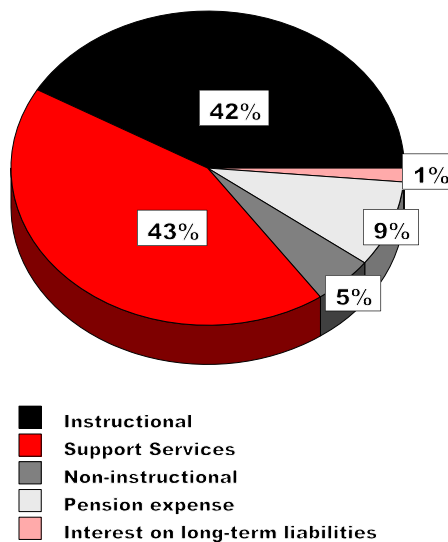
**Table 3**  
**Net Cost of Governmental Activities**

		<u><b>Total Expenses</b></u>		<b>Percentage Change</b>
		<b>2016</b>	<b>2015</b>	
Instruction	\$	3,375,518	3,241,117	4%
Support services		3,450,460	2,604,655	32%
Non-instructional		416,236	371,722	12%
Pension expense		709,906	242,023	193%
Interest on long-term liabilities		95,896	40,114	139%
<b>Total expenses</b>	\$	<u>8,048,016</u>	<u>6,499,631</u>	<u>24%</u>

**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

	<b>Net (Expense) Revenue</b>		
	<b>2016</b>	<b>2015</b>	<b>Percentage Change</b>
Instruction	\$ (2,395,272)	(2,517,389)	(5)%
Support services	(2,905,446)	(1,788,996)	62%
Non-instructional	72,255	65,516	10%
Pension expense	(709,906)	(242,023)	193%
Interest on long-term liabilities	(95,896)	(40,114)	139%
<b>Total net (expense) revenue</b>	<b>\$ (6,034,265)</b>	<b>(4,523,006)</b>	<b>33%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$6,034,265 for 2016 and \$4,523,006 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$1,476,793 for 2016 and \$1,375,318 for 2015) and state and federal revenues (\$3,902,423 for 2016 and \$3,710,859 for 2015).
- Investment earnings amounted to \$7,612 for 2016 and \$17,094 for 2015.

**Okolona Municipal Separate School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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 \$2,386,979, a decrease of \$1,367,991, which includes a prior period adjustment of (\$51,469) and the decrease in inventory of \$574. \$717,245 or 30% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$1,669,734 or 70% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$60,514. The fund balance of Other Governmental Funds showed a decrease in the amount of \$340,193, which includes a prior period adjustment of (\$3,117) and a decrease in inventory of \$574. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease
Title II Fund	\$ (1,607)
21 <sup>st</sup> Century Learning Center Fund	no increase or decrease
GO Bond 2015 Construction Fund	\$ (1,086,705)

## **BUDGETARY HIGHLIGHTS**

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

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

**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2016, the District's total capital assets were \$6,118,864, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$157,837 from 2015. Total accumulated depreciation as of June 30, 2016, was \$3,331,872 and total depreciation expense for the year was \$75,545, resulting in total net capital assets of \$2,786,992.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 77,760	77,760	0%
Construction in progress	248,735	97,283	156%
Buildings	2,262,554	2,318,680	(2)%
Building improvements	91,997	96,268	(4)%
Mobile equipment	54,595	54,595	0%
Furniture and equipment	43,151	51,020	(15)%
Leased property under capital lease	8,200	9,094	(10)%
<b>Total</b>	<b>\$ <u>2,786,992</u></b>	<b><u>2,704,700</u></b>	<b><u>3%</u></b>

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 \$2,871,980 in outstanding long-term debt, including premium, of which \$330,805 is due within one year. The liability for compensated absences increased \$6,162 from the prior year.

**Okolona Municipal Separate School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,910,000	2,000,000	(5)%
Premiums	5,468	5,789	(6)%
Limited obligation bonds payable	295,000	435,000	(32)%
Obligations under capital leases payable	49,052	82,225	(40)%
Qualified zone academy bonds payable	250,000	500,000	(50)%
Other loans payable	330,000	512,000	(36)%
Compensated absences payable	32,460	26,298	23%
<b>Total</b>	<u>\$ 2,871,980</u>	<u>3,561,312</u>	<u>(19)%</u>

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

## **CURRENT ISSUES**

In February 2010, the Governor of the State of Mississippi declared Okolona Municipal Separate School District to be in state of emergency due to academic and financial impairments, and the State Board of Education appointed a conservator to control the operations of the district. On January 7, 2013, the State Board of Education turned the school district back over to the school board. Considerable steps have been made by the district to improve the academic and financial impairments that resulted in the state of emergency.

Since that time, the district has made continued academic and financial improvements. It has improved its academic rating and classification in the last three academic years. Also in June 2014, the district was declared "financially solvent" by the state board of education, resulting in the beginning of the repayment of the \$550,000 Mississippi Department of Education loan. The district has assigned \$330,000 of the general fund's fund balance for repayment of this loan.

Enrollment for the 2015 - 2016 year decreased by 1% to 678 students.

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

If you have questions about this report, contact the Superintendent's Office of the Okolona Municipal Separate School District, P.O. Box 510, Okolona, MS 38860.

## FINANCIAL STATEMENTS

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT***STATEMENT OF NET POSITION**JUNE 30, 2016*

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 1,309,401
<i>Investments</i>	21,000
<i>Due from other governments</i>	609,894
<i>Inventories</i>	7,011
<i>Restricted assets</i>	527,183
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	77,760
<i>Construction in progress</i>	248,735
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	2,262,554
<i>Building improvements</i>	91,997
<i>Mobile equipment</i>	54,595
<i>Furniture and equipment</i>	43,151
<i>Leased property under capital leases</i>	8,200
<b>Total Assets</b>	<u>5,261,481</u>
<b>Deferred Outflows of Resources</b>	
<i>Pension related</i>	1,708,901
<b>Total Deferred Outflows of Resources</b>	<u>1,708,901</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	82,954
<i>Unearned revenue</i>	714
<i>Other payables</i>	3,842
<i>Interest payable on long-term liabilities</i>	26,467
<i>Long-term liabilities (due within one year):</i>	
<i>Capital related liabilities</i>	330,484
<i>Capital related bond premiums</i>	321
<i>Long-term liabilities (due beyond one year):</i>	
<i>Capital related liabilities</i>	2,503,568
<i>Capital related bond premiums</i>	5,147
<i>Non-capital related liabilities</i>	32,460
<i>Net pension liability</i>	8,475,638
<b>Total Liabilities</b>	<u>11,461,595</u>
<b>Deferred Inflows of Resources</b>	
<i>Pension related</i>	528,754
<b>Total Deferred Inflows of Resources</b>	<u>528,754</u>
<b>Net Position:</b>	
<i>Net Investment in Capital Assets</i>	390,838
<i>Restricted For:</i>	
<i>Expendable:</i>	
<i>School-based activities</i>	292,900
<i>Debt service</i>	320,232
<i>Capital projects</i>	495,219
<i>Unemployment benefits</i>	44,765
<i>Nonexpendable:</i>	
<i>Sixteenth section</i>	25,721
<i>Unrestricted</i>	(6,589,642)
<b>Total Net Position (Deficit)</b>	<u>\$ (5,019,967)</u>

The accompanying notes are an integral part of this statement.

## OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	3,375,518	78,894	901,352	(2,395,272)
<i>Support services</i>	3,450,460	--	545,014	(2,905,446)
<i>Noninstructional services</i>	416,236	14,203	474,288	72,255
<i>Pension expense</i>	709,906	--	--	(709,906)
<i>Interest on long-term liabilities</i>	95,896	--	--	(95,896)
Total Governmental Activities	<u>\$ 8,048,016</u>	<u>\$ 93,097</u>	<u>\$ 1,920,654</u>	<u>(6,034,265)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				1,252,972
<i>Debt purpose levies</i>				223,821
Unrestricted grants and contributions:				
<i>State</i>				3,840,095
<i>Federal</i>				62,328
<i>Unrestricted investment earnings</i>				7,612
<i>Other</i>				25,263
Total General Revenues				<u>5,412,091</u>
Change in Net Position				<u>(622,174)</u>
Net Position (Deficit) - Beginning, as previously reported				(4,269,371)
Prior Period Adjustment				(128,422)
Net Position (Deficit) - Beginning, as restated				<u>(4,397,793)</u>
Net Position (Deficit) - Ending				<u>\$ (5,019,967)</u>

The accompanying notes are an integral part of this statement.



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# OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Title I A Basic Fund	Title II Fund
<b>Assets</b>			
<i>Cash and cash equivalents</i>	\$ 776,899	\$ 700	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	9,000	--	--
<i>Due from other governments</i>	129,673	56,464	67,604
<i>Due from other funds</i>	349,458	--	1,607
<i>Inventories</i>	--	--	--
Total Assets	<u>\$ 1,265,030</u>	<u>\$ 57,164</u>	<u>\$ 69,211</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 45,999	\$ 5,218	\$ --
Due to other funds	37,356	51,946	69,211
Unearned revenue	--	--	--
Other payables	--	--	--
Total Liabilities	<u>83,355</u>	<u>57,164</u>	<u>69,211</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventory	--	--	--
Permanent fund principal	--	--	--
<b>Restricted:</b>			
Unemployment benefits	--	--	--
Capital projects	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food Service	--	--	--
<b>Assigned:</b>			
MDE loan repayment	330,000	--	--
Activity funds	134,430	--	--
<b>Unassigned</b>	<u>717,245</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>1,181,675</u>	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 1,265,030</u>	<u>\$ 57,164</u>	<u>\$ 69,211</u>

The accompanying notes are an integral part of this statement.

21st Century Learning Center Fund	GO Bond 2015 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 443,366	\$ 532,286	\$ 1,753,251
--	--	6,318	6,318
--	--	89,015	98,015
158,061	--	188,571	600,373
--	--	45,579	396,644
--	--	7,011	7,011
<u>\$ 158,061</u>	<u>\$ 443,366</u>	<u>\$ 868,780</u>	<u>\$ 2,861,612</u>
\$ 13,313	\$ 6,912	\$ 11,512	\$ 82,954
144,748	--	83,862	387,123
--	--	714	714
--	--	3,842	3,842
<u>158,061</u>	<u>6,912</u>	<u>99,930</u>	<u>474,633</u>
--	--	7,011	7,011
--	--	25,721	25,721
--	--	44,765	44,765
--	436,454	58,765	495,219
--	--	346,699	346,699
--	--	162,942	162,942
--	--	122,947	122,947
--	--	--	330,000
--	--	--	134,430
--	--	--	717,245
<u>--</u>	<u>436,454</u>	<u>768,850</u>	<u>2,386,979</u>
<u>\$ 158,061</u>	<u>\$ 443,366</u>	<u>\$ 868,780</u>	<u>\$ 2,861,612</u>

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET POSITION**JUNE 30, 2016*

Total fund balances for governmental funds	\$ 2,386,979
--------------------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Position  
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	2,786,992
Liabilities due in one year are not recognized in the funds.	(330,805)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,250,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(33,568)
Payables for bond interest which are not due in the current period are not reported in the funds.	(26,467)
Payables for compensated absences not due in the current period are not reported in the funds.	(32,460)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(220,000)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(8,475,638)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(528,754)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	1,708,901
Bond premiums are presented in the SNP but not in the funds.	(5,147)

Net position of governmental activities	\$ <u>(5,019,967)</u>
-----------------------------------------	-----------------------

The accompanying notes are an integral part of this statement.

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# OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Title I A Basic Fund	Title II Fund
<b>Revenues:</b>			
Local sources	\$ 1,355,664	\$ --	\$ --
State sources	3,691,690	--	--
Federal sources	62,328	383,673	120,778
Total Revenues	<u>5,109,682</u>	<u>383,673</u>	<u>120,778</u>
<b>Expenditures:</b>			
Instruction	2,575,573	242,130	41,369
Support services	1,874,308	164,272	17,234
Noninstructional services	--	2,753	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	124,678	--	--
Interest	3,258	--	--
Other	--	--	--
Total Expenditures	<u>4,577,817</u>	<u>409,155</u>	<u>58,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>531,865</u>	<u>(25,482)</u>	<u>62,175</u>
<b>Other Financing Sources (Uses):</b>			
Payment held by QZAB escrow agent	--	--	--
Payment to QZAB bond escrow agent	--	--	--
Transfers in	20,700	30,000	--
Transfers out	(492,051)	--	(31,535)
Total Other Financing Sources (Uses)	<u>(471,351)</u>	<u>30,000</u>	<u>(31,535)</u>
Net Change in Fund Balances	<u>60,514</u>	<u>4,518</u>	<u>30,640</u>
<b>Fund Balances:</b>			
July 1, 2015, as previously reported	1,121,161	--	1,607
Prior period adjustments	--	(4,518)	(32,247)
July 1, 2015, as restated	<u>1,121,161</u>	<u>(4,518)</u>	<u>(30,640)</u>
Increase (decrease) in inventory	--	--	--
June 30, 2016	<u>\$ 1,181,675</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

21st Century Learning Center Fund	GO Bond 2015 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,760	\$ 245,341	\$ 1,602,765
--	--	415,311	4,107,001
313,348	--	835,949	1,716,076
<u>313,348</u>	<u>1,760</u>	<u>1,496,601</u>	<u>7,425,842</u>
261,375	--	577,620	3,698,067
32,801	860,060	659,656	3,608,331
--	--	422,698	425,451
--	228,405	--	228,405
--	--	570,495	695,173
--	--	80,989	84,247
--	--	2,116	2,116
<u>294,176</u>	<u>1,088,465</u>	<u>2,313,574</u>	<u>8,741,790</u>
<u>19,172</u>	<u>(1,086,705)</u>	<u>(816,973)</u>	<u>(1,315,948)</u>
--	--	9,484	9,484
--	--	(9,484)	(9,484)
--	--	631,942	682,642
(7,585)	--	(151,471)	(682,642)
<u>(7,585)</u>	<u>--</u>	<u>480,471</u>	<u>--</u>
<u>11,587</u>	<u>(1,086,705)</u>	<u>(336,502)</u>	<u>(1,315,948)</u>
--	1,523,159	1,109,043	3,754,970
(11,587)	--	(3,117)	(51,469)
<u>(11,587)</u>	<u>1,523,159</u>	<u>1,105,926</u>	<u>3,703,501</u>
--	--	(574)	(574)
\$ --	\$ 436,454	\$ 768,850	\$ 2,386,979

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016*

Net change in fund balances - total governmental funds \$ (1,315,948)

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	234,790
The depreciation of capital assets used in governmental activities is not reported in the funds.	(75,545)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	480,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	33,173
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	182,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(9,854)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(574)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(6,162)
Bond premiums amortization.	321
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	565,531
The School District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	382,354
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(1,092,260)</u>

Change in net position of governmental activities \$ (622,174)

The accompanying notes are an integral part of this statement.



**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT***STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2016*

	Agency Funds
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 244,467
Total Assets	\$ <u>244,467</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	\$ 228,503
<i>Due to student clubs</i>	6,443
<i>Due to other funds</i>	9,521
Total Liabilities	\$ <u>244,467</u>

The accompanying notes are an integral part of this statement.

**Okolona Municipal School District**

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

## **Okolona Municipal Separate School District**

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

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

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

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Okolona since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Okolona Municipal Separate 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,

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The school district reports the following major governmental funds:

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

Title I A Basic Fund - This is a special revenue fund that accounts for the revenues and expenditures of Title I federal revenues administered by the U.S. Department of Education.

Title II Fund - This is a special revenue fund that accounts for the revenues and expenditures of Title II federal revenues administered by the U.S. Department of Education.

21<sup>st</sup> Century Learning Center Fund - This is a special revenue fund that accounts revenues and expenditures of the Twenty-First Century Community Learning Centers Grant administered by the U.S. Department of Education.

## **Okolona Municipal Separate School District**

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

GO Bond 2015 Construction Fund - This is a capital projects fund that accounts for the construction expenditures from the bond proceeds of the district's General Obligation Bonds, Series 2015.

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:

Student Club Funds - These funds are used to account for the transaction of student clubs.

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

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

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

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

### **FIDUCIARY FUNDS**

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

## **Okolona Municipal Separate School District**

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

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

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

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

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

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

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

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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 are 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.

#### **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.

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bonds sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section



## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

(\*) 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has a deferred outflow which is presented as a deferred outflow for pension.

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 and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 12 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities and Bond Discounts/ Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums, and the difference between

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

#### 10. Pensions

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

#### 11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

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

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

It is the policy of the District to maintain a minimum fund balance in the General Fund that is not less than 7% of total revenues.

#### **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 districts' 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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,753,251 and \$244,467, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$2,550,113 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$6,318.

## Okolona Municipal Separate School District

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

### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U. S. Treasury Note	AA	1 to 5	\$ 51,777
Certificate of Deposit	N/A	More than 5 years	46,238
Total			\$ <u>98,015</u>

The School Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable in puts.

The School Board has the following recurring fair value measurements as of June 30, 2016:

- Level 1 type of investments of \$98,015 are valued using quoted market prices (Level 1 inputs)

*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.

*Concentration of Credit Risk.* Disclosures 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.

## Okolona Municipal Separate School District

Notes to the Financial Statements  
For the 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

Receivable Fund	Payable Fund	Amount
General Fund	Title I A Basic Fund	\$ 51,946
	Title II Fund	69,211
	21 <sup>st</sup> Century Learning Center Fund	144,748
	Fiduciary Funds	7,492
	Other Governmental Fund	76,061
Title II Fund	Fiduciary Funds	1,607
Other Governmental Funds	General Fund	37,356
	Fiduciary Funds	422
	Other Governmental Funds	7,801
Total		\$ <u>396,644</u>

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

#### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title II Fund	\$ 1,535
	21 <sup>st</sup> Century Learning Center Fund	7,585
	Other Governmental Funds	11,580
Title I A Basic Fund	Title II Fund	30,000
Other Governmental Funds	General Fund	492,051
	Other Governmental Funds	139,891
Total		\$ <u>682,642</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, workers' compensation and construction fund in the Other Governmental Funds. The transfer from other governmental funds to the general fund was for indirect cost. The transfer within the Other Governmental Funds was to fund a construction project.

### Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$484 and \$25,238, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

# Okolona Municipal Separate School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

In addition, the restricted assets represent the cash with fiscal agents and investment balances, totaling \$6,318 and \$51,777, respectively, of the QZAB Debt Retirement Fund.

In addition, the restricted assets represent the unspent spent bond proceeds balance, totaling \$443,366, respectively, of the GO Bond 2015 Construction Fund.

### Note 5- Capital Assets

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

	Balance 7-1-2015	Additions	Adjustments	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 77,760			77,760
Construction in progress	97,283	228,405	(76,953)	248,735
Total non-depreciable capital assets	175,043	228,405	(76,953)	326,495
<u>Depreciable capital assets:</u>				
Buildings	4,562,108			4,562,108
Building improvements	106,784			106,784
Mobile equipment	545,949			545,949
Furniture and equipment	399,741	6,385	89,402	495,528
Leased property under capital leases	171,402		(89,402)	82,000
Total depreciable capital assets	5,785,984	6,385	0	5,792,369
<u>Less accumulated depreciation for:</u>				
Buildings	2,243,428	56,126		2,299,554
Building improvements	10,516	4,271		14,787
Mobile equipment	491,354			491,354
Furniture and equipment	348,721	15,148	88,508	452,377
Leased property under capital leases	162,308		(88,508)	73,800
Total accumulated depreciation	3,256,327	75,545	0	3,331,872
Total depreciable capital assets, net	2,529,657	(69,160)	0	2,460,497
Governmental activities capital assets, net	\$ 2,704,700	159,245	(76,953)	2,786,992

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 52,882
Support services	15,109
Non-instructional	7,554
Total depreciation expense	\$ 75,545



# Okolona Municipal Separate School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Football Field House	\$ 248,735	294,776

Construction projects included in governmental activities are funded with proceeds from general obligation bonds.

### Note 6 - Long-term liabilities

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

	Balance 7-1-2015	Additions	Reductions	Balance 6-30-2016	Amounts due within one year
A. General obligation bonds payable	\$ 2,000,000		90,000	1,910,000	60,000
Premiums	5,789		321	5,468	321
B. Limited obligation bonds payable	435,000		140,000	295,000	145,000
C. Obligations under capital leases payable	82,225		33,173	49,052	15,484
D. Qualified zone academy bonds payable	500,000		250,000	250,000	
E. Other loans payable	512,000		182,000	330,000	110,000
F. Compensated absences payable	26,298	6,162		32,460	
Total	\$ 3,561,312	6,162	695,494	2,871,980	330,805

#### 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 is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. GO Bonds, Series 2014	3.95%	12-01-14	06-01-25	\$ 400,000	375,000
2. GO Bonds, Series 2015	3.0-4.0%	06-25-15	09-01-32	1,600,000	1,535,000
Total				\$ 2,000,000	1,910,000

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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 1. GO Bonds, Series 2014

Year Ending June 30		Principal	Interest	Total
2017	\$	25,000	14,813	39,813
2018		31,000	13,825	44,825
2019		26,000	12,600	38,600
2020		54,000	11,574	65,574
2021		40,000	9,441	49,441
2022 - 2025		199,000	20,027	219,027
Total	\$	<u>375,000</u>	<u>82,280</u>	<u>457,280</u>

This debt will be retired from the GO Bond Series 2014 Debt Service Fund.

#### 2. GO Bonds, Series 2015

Year Ending June 30		Principal	Interest	Total
2017	\$	35,000	55,350	90,350
2018		35,000	54,300	89,300
2019		35,000	53,250	88,250
2020		70,000	51,325	121,325
2021		65,000	48,625	113,625
2022 - 2026		335,000	204,300	539,300
2027 - 2031		690,000	117,676	807,676
2032 - 2033		270,000	10,200	280,200
Total	\$	<u>1,535,000</u>	<u>595,026</u>	<u>2,130,026</u>

This debt will be retired from the GO Bond Series 2015 Debt Service Fund.

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2017	\$	60,000	70,163	130,163
2018		66,000	68,125	134,125
2019		61,000	65,850	126,850
2020		124,000	62,899	186,899
2021		105,000	58,066	163,066
2022 - 2026		534,000	224,327	758,327
2027 - 2031		690,000	117,676	807,676
2032 - 2033		270,000	10,200	280,200
Total	\$	<u>1,910,000</u>	<u>677,306</u>	<u>2,587,306</u>

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 8% of property assessments as of October 1, 2015.

#### **B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds - Series 2008	3.5-4.0%	08-28-08	03-01-18	\$ <u>1,310,000</u>	<u>295,000</u>

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

Year Ending June 30		Principal	Interest	Total
2017	\$	145,000	11,800	156,800
2018		<u>150,000</u>	<u>6,000</u>	<u>156,000</u>
Total	\$	<u>295,000</u>	<u>17,800</u>	<u>312,800</u>

This debt will be retired from the MAEP Limited Obligation Bond Fund.

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of Cafeteria Equipment for \$150,000 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$127,950, refinancing at \$117,354. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2006A - Equipment	5.08%	05-23-06	04-10-16	\$ 150,000	0
2. Series 2011A - Buses	5.42%	08-16-11	04-10-19	117,354	49,052
Total				\$ 267,354	49,052

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

#### 1. Series 2006A - Equipment

This debt was paid off and retired from the School Lunchroom Fund.

#### 2. Series 2011A - Buses

Year Ending June 30	Principal	Interest	Total
2017	\$ 15,484	2,452	17,936
2018	16,335	1,601	17,936
2019	17,233	704	17,937
Total	\$ 49,052	4,757	53,809

This debt will be retired from the District Maintenance Fund.

#### **D. Qualified zone academy bonds payable**

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified Zone Academy Bonds. Debt currently outstanding is as follows:

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. QZAB, Series 2005	0.00%	11-10-05	12-15-14	\$ 250,000	0
2. QZAB, Series 2008	0.00%	05-15-08	07-15-18	250,000	250,000
Total				<u>\$ 500,000</u>	<u>250,000</u>

#### **E. Other loans payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax note	3.70%	10-05-05	10-01-15	\$ 350,000	0
2. Emergency note	0.00%	06-25-10	06-01-19	550,000	330,000
				<u>\$ 900,000</u>	<u>330,000</u>

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

#### 1. Limited tax note

This debt was paid off and retired from the EEF Building and Buses Fund

#### 2. Emergency note

Year Ending June 30	Principal
2017	\$ 110,000
2018	110,000
2019	110,000
Total	<u>\$ 330,000</u>

This debt will be retired from the MDE Loan Repayment Fund. A fund balance of \$330,000 has been assigned to repay the debt.

#### **F. Compensated absences payable**

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

## Okolona Municipal Separate School District

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

### 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. 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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015, and 2014, were \$565,531, \$540,762, and \$503,453, respectively, which equaled the required contributions for each year.

## Okolona Municipal Separate School District

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

### **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 \$8,475,638 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 0.054830 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.00253 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$709,906. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 229,467	\$
Net difference between projected and actual earnings on pension plan investments		424,312
Changes of assumptions	730,147	
Changes in proportion and differences between District contributions and proportionate share of contributions	183,756	104,442
District contributions subsequent to the measurement date	565,531	
Total	<u>\$ 1,708,901</u>	<u>\$ 528,754</u>

\$565,531 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2016	\$ 138,670
2017	172,173
2018	179,795
2019	123,979
Total	<u>\$ 614,617</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:

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

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

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



## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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	\$ <u>11,171,666</u>	\$ <u>8,475,638</u>	\$ <u>6,238,437</u>

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

### Note 8 - Risk Management

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

#### Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### Note 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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 - Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark Bank, has entered into such an arrangement dated November 10, 2005, and May 15, 2008, respectively.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 1 of each year starting in 2006 and ending in 2018. The amount on deposit at June 30, 2016 was \$58,095. The amount accumulated in the sinking fund at the end of the ten-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.

##### 1. QZAB Series 2005

This debt was paid off and retired from the QZAB Series 2005 Debt Retirement Fund.

##### 2. QZAB Series 2008

Year Ending June 30		Amount
2017	\$	85,400
2018		88,000
2019		25,100
Total	\$	<u>198,500</u>

#### **Note 11 - Prior Period Adjustments**

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

## Okolona Municipal Separate School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
See explanation below.	\$ (51,469)
To properly present capital assets at year end.	(76,953)
Total	<u>\$ (128,422)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
Title I A Basic Fund	To correct due to/from funds.	\$ (4,518)
Title II Fund	To correct due to/from funds.	(32,247)
21 <sup>st</sup> Century Learning Center Fund	To correct due to/from funds.	(11,587)
Other Governmental Funds	To correct due to/from funds.	(3,117)
Total		<u>\$ (51,469)</u>

#### **Note 12 - Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$6,143,876) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,708,901 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$6,143,876) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$528,754 balance of deferred inflow of resources, at June 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

#### **Note 13 - Other Commitments**

Commitments under construction contracts are described in Note 5.

#### **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 Okolona Municipal Separate School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined the

## **Okolona Municipal Separate School District**

### Notes to the Financial Statements For the Year Ended June 30, 2016

following subsequent events have occurred requiring disclosure in the notes to the financial statement:

On March 2, 2016, Senate Bill 2463 was passed by the Mississippi State House of Representatives that would consolidate Okolona School Municipal Separate School District, Houston Municipal School District, and Chickasaw County School District into one singular district to be designated Chickasaw County Consolidated School District, effective July 1, 2020.

On September 23, 2016 the North Pike Consolidated School District loaned \$49,929 to Okolona Municipal Separate School District in the form of a promissory note payable starting September 23, 2017 and ending September 23, 2019. This note shall bear interest at the per annum rate equal to 2.50%. This is a shortfall debt to remedy a shortfall in tax revenues for the year ended June 30, 2016.

On July 1, 2016, the school district received proceeds from a three mill note in the amount of \$480,000. It will bear an interest rate of 2.50%.

## REQUIRED SUPPLEMENTARY INFORMATION

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,302,625	1,288,175	1,355,664	(14,450)	67,489
State sources	3,685,378	3,691,690	3,691,690	6,312	0
Federal sources	42,626	62,329	62,328	19,703	(1)
Total Revenues	<u>5,030,629</u>	<u>5,042,194</u>	<u>5,109,682</u>	<u>11,565</u>	<u>67,488</u>
<b>Expenditures:</b>					
Instruction	2,631,586	2,555,192	2,575,573	76,394	(20,381)
Support services	2,072,360	1,985,679	1,874,308	86,681	111,371
Debt service:					
Principal	14,678	14,678	124,678	0	(110,000)
Interest	3,258	3,258	3,258	0	0
Total Expenditures	<u>4,721,882</u>	<u>4,558,807</u>	<u>4,577,817</u>	<u>163,075</u>	<u>(19,010)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>308,747</u>	<u>483,387</u>	<u>531,865</u>	<u>174,640</u>	<u>48,478</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	693,212	667,094	20,700	(26,118)	(646,394)
Transfers out	(1,211,206)	(1,137,240)	(492,051)	73,966	645,189
Total Other Financing Sources (Uses)	<u>(517,994)</u>	<u>(470,146)</u>	<u>(471,351)</u>	<u>47,848</u>	<u>(1,205)</u>
Net Change in Fund Balances	<u>(209,247)</u>	<u>13,241</u>	<u>60,514</u>	<u>222,488</u>	<u>47,273</u>
<b>Fund Balances:</b>					
July 1, 2015	<u>975,455</u>	<u>1,011,544</u>	<u>1,121,161</u>	<u>36,089</u>	<u>109,617</u>
June 30, 2016	<u>\$ 766,208</u>	<u>1,024,785</u>	<u>1,181,675</u>	<u>258,577</u>	<u>156,890</u>

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

# OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2016

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 921,381	1,170,940	383,673	249,559	(787,267)
Total Revenues	921,381	1,170,940	383,673	249,559	(787,267)
<b>Expenditures:</b>					
Instruction	246,350	330,952	242,130	(84,602)	88,822
Support services	209,418	279,026	164,272	(69,608)	114,754
Noninstructional services	7,009	13,601	2,753	(6,592)	10,848
Total Expenditures	462,777	623,579	409,155	(160,802)	214,424
Excess (Deficiency) of Revenues Over (Under) Expenditures	458,604	547,361	(25,482)	88,757	(572,843)
<b>Other Financing Sources (Uses):</b>					
Transfers in	35,000	35,000	30,000	0	(5,000)
Total Other Financing Sources (Uses)	35,000	35,000	30,000	0	(5,000)
Net Change in Fund Balances	493,604	582,361	4,518	88,757	(577,843)
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	(61,659)	0	0	61,659	0
Prior period adjustment	0	0	(4,518)	0	(4,518)
July 1, 2015, as restated	(61,659)	0	(4,518)	61,659	(4,518)
June 30, 2016	\$ 431,945	582,361	0	150,416	(582,361)

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

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

Budgetary Comparison Schedule

Title II Fund

For the Year Ended June 30, 2016

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 135,293	119,470	120,778	(15,823)	1,308
Total Revenues	<u>135,293</u>	<u>119,470</u>	<u>120,778</u>	<u>(15,823)</u>	<u>1,308</u>
<b>Expenditures:</b>					
Instruction	56,634	39,762	41,369	16,872	(1,607)
Support services	<u>31,726</u>	<u>24,191</u>	<u>17,234</u>	<u>7,535</u>	<u>6,957</u>
Total Expenditures	<u>88,360</u>	<u>63,953</u>	<u>58,603</u>	<u>24,407</u>	<u>5,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46,933</u>	<u>55,517</u>	<u>62,175</u>	<u>8,584</u>	<u>6,658</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	<u>(37,615)</u>	<u>(3,665)</u>	<u>(31,535)</u>	<u>33,950</u>	<u>(27,870)</u>
Total Other Financing Sources (Uses)	<u>(37,615)</u>	<u>(3,665)</u>	<u>(31,535)</u>	<u>33,950</u>	<u>(27,870)</u>
Net Change in Fund Balances	<u>9,318</u>	<u>51,852</u>	<u>30,640</u>	<u>42,534</u>	<u>(21,212)</u>
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	(5,760)	0	1,607	5,760	1,607
Prior period adjustment	<u>0</u>	<u>0</u>	<u>(32,247)</u>	<u>0</u>	<u>(32,247)</u>
July 1, 2015, as restated	<u>(5,760)</u>	<u>0</u>	<u>(30,640)</u>	<u>5,760</u>	<u>(30,640)</u>
June 30, 2016	<u>\$ 3,558</u>	<u>51,852</u>	<u>0</u>	<u>48,294</u>	<u>(51,852)</u>

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



**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 21st Century Learning Center Fund  
 For the Year Ended June 30, 2016

**Exhibit 4**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 189,605	689,605	313,348	500,000	(376,257)
Total Revenues	<u>189,605</u>	<u>689,605</u>	<u>313,348</u>	<u>500,000</u>	<u>(376,257)</u>
<b>Expenditures:</b>					
Instruction	25,055	450,267	261,375	(425,212)	188,892
Support services	55,176	104,087	32,801	(48,911)	71,286
Total Expenditures	<u>80,231</u>	<u>554,354</u>	<u>294,176</u>	<u>(474,123)</u>	<u>260,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>109,374</u>	<u>135,251</u>	<u>19,172</u>	<u>25,877</u>	<u>(116,079)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(2,327)	(15,442)	(7,585)	(13,115)	7,857
Total Other Financing Sources (Uses)	<u>(2,327)</u>	<u>(15,442)</u>	<u>(7,585)</u>	<u>(13,115)</u>	<u>7,857</u>
Net Change in Fund Balances	<u>107,047</u>	<u>119,809</u>	<u>11,587</u>	<u>12,762</u>	<u>(108,222)</u>
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	(48,165)	0	0	48,165	0
Prior period adjustment	<u>0</u>	<u>0</u>	<u>(11,587)</u>	<u>0</u>	<u>(11,587)</u>
July 1, 2015, as restated	<u>(48,165)</u>	<u>0</u>	<u>(11,587)</u>	<u>48,165</u>	<u>(11,587)</u>
June 30, 2016	<u>\$ 58,882</u>	<u>119,809</u>	<u>0</u>	<u>60,927</u>	<u>(119,809)</u>

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

**Okolona Municipal Separate School District**

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

## PERS

## Last 10 Fiscal Years\*

	2016	2015
District's proportion of the net pension liability (asset) \$	8,475,638	6,348,263
District's proportionate share of the net pension liability (asset)	0.054830%	0.052300%
District's covered - employee payroll	3,433,410	3,196,527
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	246.86%	198.60%
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.

**Okolona Municipal Separate School District**

## Schedule of District Contributions

## PERS

## Last 10 Fiscal Years\*

	2016	2015
Contractually required contribution	\$ 565,531	540,762
Contributions in relation to the contractually required contribution	565,531	540,762
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	3,590,673	3,433,410
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.

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Okolona Municipal Separate School District**

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

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

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 137,375
National School Lunch Program	10.555	335,156
Summer Food Service Program for Children	10.559	16,380
Total Child Nutrition Cluster		488,911
Child and Adult Care Food Program	10.558	8,403
Total passed-through the Mississippi Department of Education		497,314
<b>Total U.S. Department of Agriculture</b>		<b>497,314</b>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	521,874
Career and Technical Education - Basic Grants to States	84.048	10,794
Twenty-First Century Community Learning Centers	84.287	313,348
Rural Education	84.358	9,880
Supporting Effective Instruction State Grant	84.367	120,778
Subtotal		976,674
Special Education Cluster:		
Special Education - Grants to States	84.027	178,082
Special Education - Preschool Grants	84.173	1,675
Total Special Education Cluster		179,757
Total passed-through the Mississippi Department of Education		1,156,431
<b>Total U.S. Department of Education</b>		<b>1,156,431</b>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	28,907
Total passed-through the Mississippi Department of Education		28,907
<b>Total U.S. Department of Health and Human Services</b>		<b>28,907</b>
Total for All Federal Awards		\$ <b>1,682,652</b>

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

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2015

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	4,958,198	3,716,205	423,772	412,062	406,159
Other	3,783,592	618,669	217,723	4,005	2,943,195
Total \$	<u>8,741,790</u>	<u>4,334,874</u>	<u>641,495</u>	<u>416,067</u>	<u>3,349,354</u>
Total number of students *	<u>678</u>				
Cost per student \$	<u>12,893</u>	<u>6,394</u>	<u>946</u>	<u>613</u>	<u>4,940</u>

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

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

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

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

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

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

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



## Okolona Municipal Separate School District

Notes to the Supplementary Information  
For the Year Ended June 30, 2016

### (1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the 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). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$26,800 are included in the National School Lunch Program.

### (2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

- a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

## OTHER INFORMATION

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 1,355,664	1,313,764	1,227,854	1,240,027
State sources	3,691,690	3,499,904	3,536,459	3,362,343
Federal sources	62,328	62,551	50,665	55,526
Total Revenues	<u>5,109,682</u>	<u>4,876,219</u>	<u>4,814,978</u>	<u>4,657,896</u>
<b>Expenditures:</b>				
Instruction	2,575,573	2,439,506	2,340,338	2,510,348
Support services	1,874,308	1,789,036	1,753,591	1,641,179
Noninstructional services			1,541	
Facilities acquisition and construction			57,443	49,341
Debt service:				
Principal	124,678	123,914	13,189	12,502
Interest	3,258	4,022	4,747	5,434
Total Expenditures	<u>4,577,817</u>	<u>4,356,478</u>	<u>4,170,849</u>	<u>4,218,804</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>531,865</u>	<u>519,741</u>	<u>644,129</u>	<u>439,092</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	20,700	16,984	14,267	105,701
Operating transfers out	(492,051)	(526,255)	(470,514)	(187,621)
Total Other Financing Sources (Uses)	<u>(471,351)</u>	<u>(509,271)</u>	<u>(456,247)</u>	<u>(81,920)</u>
Net Change in Fund Balances	<u>60,514</u>	<u>10,470</u>	<u>187,882</u>	<u>357,172</u>
<b>Fund Balances:</b>				
July 1, as previously reported	1,121,161	1,110,691	951,566	283,718
Prior period adjustments			(28,757)	310,676
July 1, as restated	<u>1,121,161</u>	<u>1,110,691</u>	<u>922,809</u>	<u>594,394</u>
June 30,	<u>\$ 1,181,675</u>	<u>1,121,161</u>	<u>1,110,691</u>	<u>951,566</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 1,602,765	1,545,102	1,379,260	1,377,402
State sources	4,107,001	3,932,633	3,944,199	3,777,648
Federal sources	1,716,076	1,650,306	1,774,122	2,641,672
Total Revenues	<u>7,425,842</u>	<u>7,128,041</u>	<u>7,097,581</u>	<u>7,796,722</u>
<b>Expenditures:</b>				
Instruction	3,698,067	3,532,800	3,383,031	3,848,665
Support services	3,608,331	2,746,015	2,593,160	2,791,140
Noninstructional services	425,451	413,225	514,016	456,911
Facilities acquisition and construction	228,405	97,283	57,443	49,341
Debt service:				
Principal	695,173	324,504	200,419	240,644
Interest	84,247	30,612	38,467	49,624
Other	2,116	2,550	3,200	2,300
Total Expenditures	<u>8,741,790</u>	<u>7,146,989</u>	<u>6,789,736</u>	<u>7,438,625</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,315,948)</u>	<u>(18,948)</u>	<u>307,845</u>	<u>358,097</u>
<b>Other Financing Sources (Uses):</b>				
Bonds issued		2,000,000		
Premiums on bonds and refunding bonds		6,110		
Payment held by QZAB escrow agent	9,484	33,926	44,949	42,399
Payment to QZAB debt escrow agent	(9,484)	(33,926)	(44,949)	(42,399)
Operating transfers in	682,642	675,395	721,246	516,141
Operating transfers out	<u>(682,642)</u>	<u>(675,395)</u>	<u>(721,246)</u>	<u>(516,141)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,006,110</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,315,948)</u>	<u>1,987,162</u>	<u>307,845</u>	<u>358,097</u>
<b>Fund Balances:</b>				
July 1, as previously reported	3,754,970	1,766,546	1,487,225	825,311
Prior period adjustment	<u>(51,469)</u>		<u>(28,757)</u>	<u>310,676</u>
July 1, as restated	3,703,501	1,766,546	1,458,468	1,135,987
Increase (decrease) in inventory	<u>(574)</u>	<u>1,262</u>	<u>233</u>	<u>(6,859)</u>
June 30,	<u>\$ 2,386,979</u>	<u>3,754,970</u>	<u>1,766,546</u>	<u>1,487,225</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Okolona Municipal Separate 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 Okolona Municipal Separate School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Okolona Municipal Separate School District's basic financial statements, and have issued our report thereon dated March 27, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as Findings 2016-001 and 2016-002.

## **Compliance and Other Matters**

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

## **Okolona Municipal Separate School District's Responses to Findings**

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

## **Purpose of this Report**

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
March 27, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Okolona Municipal Separate School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of the Okolona Municipal Separate School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Okolona Municipal Separate School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 school district's internal control over compliance.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
March 27, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Okolona Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okolona Municipal Separate School District as of and for the year ended June 30, 2016, which collectively comprise Okolona Municipal Separate School District's basic financial statements and have issued our report thereon dated March 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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## **Finding 1**

### Criteria:

Under the re-employment provisions of Section 25-11-127, Miss. Code of 1972, as amended, PERS Form 4B must be filed in the PERS office within five (5) days from the date of re-employment.

### Condition:

During the testing of retired personnel, it was noted that five re-hired employees' forms were improperly completed.

### Cause:

The school district failed to comply with Section 25-11-127, Miss. Code of 1972.

### Effect:

It could result in employees being paid in excess of the amount allowed.

### Recommendation:

PERS Form 4B must be properly completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of re-employment and within (5) days from the termination of such re-employment and employees must not be paid in excess of the maximum amount allowed.

### Response:

The school district should ensure PERS Form 4B is properly completed and filed with the PERS office within five (5) days of re-employment of a PERS service retiree and safeguards will be put in place to assure that no one is paid in excess of the amount allowed.

## **Finding 2**

### Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states: "payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services."

### Condition:

Ten of sixty-six invoices examined were paid over 45 days after receipt.

### Effect:

The district was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

### Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

### Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

Response:

The District will pay claims within 45 days of receiving invoices after inspection of the goods or services.

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

The Okolona Municipal Separate School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
March 27, 2017

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# Okolona Municipal Separate School District

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

### Section I: Summary of Auditor's Results

#### Financial Statements:

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

#### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? 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 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

### Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*:

## **Significant Deficiencies**

### **Finding 2016-001**

#### Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

#### Condition:

While performing our lunchroom deposit test, we noted cash count sheets were not attested to by signatures of individuals counting and completing the bank deposit forms.

#### Cause:

Internal control procedures were not in place to ensure that proceeds from lunch sales were accurately documented and signed by at least two individuals attesting the amount deposited is correct.

#### Effect:

Without strong internal controls in place to ensure cash received from lunch sales are accounted and accurately documented, the district increases the risk that unauthorized or inappropriate use of the lunchroom sales would not be detected in a timely manner. This could also result in cash being understated.

#### Recommendation:

We recommend the district revise its system of cash collections process whereby there would be at least two individuals present to ensure cash collected is all accounted for and signed by those individuals approving the amount for deposit.

### **Finding 2016-002**

#### Criteria:

An effective system of internal control requires proper segregation of duties to the greatest extent possible.

#### Condition:

The business manager reconciles bank statements and processes payroll transactions.

#### Cause:

This is the result of limited staff and inadequate job assignments to facilitate proper segregation of duties.

#### Effect:

This increased the risk that misstatements, due to error or fraud, could occur and not be detected in a timely manner.

#### Recommendation:

We recommend that the district strengthen its internal controls whereby duties will be divided to the greatest extent possible.



### Section III: Federal Awards Findings and Questioned Costs

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

## AUDITEE'S CORRECTIVE ACTION PLAN



## Okolona Municipal Separate School District



411 West Main Street ≈ P.O. Box 510 ≈ Okolona, Mississippi 38860

Phone 662-447-2353 ≈ Fax 662-447-9955

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Okolona Municipal Separate School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2016:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2016-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Cindy Moore Phone Number: 662.447.2353</p> <p>b. Corrective Action Planned: The district will have at least two individuals present to ensure cash collected is all accounted for and signed by those individuals approving the amount for deposit.</p> <p>c. Anticipated Completion Date: March 31, 2017</p>
2016-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Casandra Trimble Phone Number: 662.447.2353</p> <p>b. Corrective Action Planned: The district will take steps to eliminate the segregation of duties deficiency by involving additional staff in reconciling bank statements and processing payroll transactions.</p> <p>c. Anticipated Completion Date: March 31, 2017</p>