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Pontotoc County School District
Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

Pontotoc County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 - 19 and 59 - 66 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 Pontotoc County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative

and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of the Pontotoc County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pontotoc County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 11, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The following discussion and analysis of Pontotoc County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$362,615, which represents a 2% decrease from fiscal year 2015. Total net position for 2015 decreased \$29,783,335, including a prior period adjustment of (\$30,214,287), which represents a 292% decrease from fiscal year 2014.
- General revenues amounted to \$23,707,155 and \$23,129,278, or 81% and 82% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,593,220, or 19% of total revenues for 2016, and \$4,948,841, or 18% of total revenues for 2015.
- The District had \$29,662,990 and \$27,647,167 in expenses for fiscal years 2016 and 2015; only \$5,593,220 for 2016 and \$4,948,841 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,707,155 for 2016 were not adequate to provide for these programs. However, \$23,129,278 for 2015 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$23,122,501 in revenues and \$22,722,273 in expenditures for 2016, and \$22,534,126 in revenues and \$23,516,778 in expenditures for 2015. The General Fund's fund balance increased by \$454,066, from 2015 to 2016, and increased by \$621,833 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$363,377 for 2016 and increased by \$347,962 for 2015. The decrease for 2016 was due primarily to the recording of depreciation expense during the fiscal year.
- Long-term debt decreased by \$690,830 for 2016 and increased by \$871,544 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$26,336 for 2016 and decreased by \$60,787 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.

Pontotoc County 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 them differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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.

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

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$19,949,826 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.

Pontotoc County 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	\$ 5,277,018	4,370,490	21%
Restricted assets	654,095	523,871	25%
Capital assets, net	<u>13,183,855</u>	<u>13,547,232</u>	(3)%
Total assets	<u>19,114,968</u>	<u>18,441,593</u>	4%
 Deferred outflows of resources	 <u>8,089,984</u>	 <u>3,884,818</u>	 108%
 Current liabilities	 386,065	 419,413	 (8)%
Long-term debt outstanding	6,814,573	7,531,739	(10)%
Net pension liability	<u>39,011,889</u>	<u>29,662,651</u>	32%
Total liabilities	<u>46,212,527</u>	<u>37,613,803</u>	23%
 Deferred inflows of resources	 <u>942,251</u>	 <u>4,299,819</u>	 (78)%
 Net position:			
Net investment in capital assets	7,317,101	6,999,547	5%
Restricted	2,174,194	1,558,969	39%
Unrestricted	<u>(29,441,121)</u>	<u>(28,145,727)</u>	5%
Total net position (deficit)	<u>\$ (19,949,826)</u>	<u>(19,587,211)</u>	2%

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)	\$ (29,441,121)
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>31,864,156</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,423,035</u>

Pontotoc County 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:

- Decrease net capital assets in the amount of \$363,377.
- The principal retirement of \$1,245,123 in long-term debt.
- The District issued a shortfall note in the amount of \$276,621.
- The District acquired a capital lease to help fund two weather domes in the amount of \$277,672.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$29,300,375 and \$28,078,119, respectively. The total cost of all programs and services was \$29,662,990 for 2016 and \$27,647,167 for 2015.

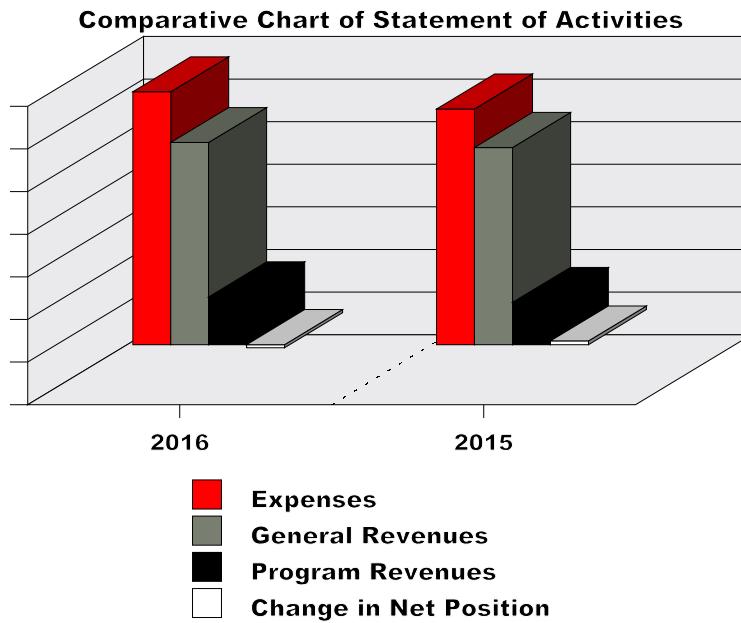
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 945,638	865,935	9%
Operating grants and contributions	4,623,632	4,082,906	13%
Capital grants and contributions	23,950		
Total program revenues	5,593,220	4,948,841	13%
General revenues:			
Property taxes	4,245,607	4,141,253	3%
Grants and contributions not restricted	18,936,590	18,384,270	3%
Unrestricted investment earnings	31,716	29,007	9%
Other	493,242	574,748	(14)%
Total general revenues	23,707,155	23,129,278	2%
Total revenues	29,300,375	28,078,119	4%
Expenses:			
Instruction	15,685,797	15,684,807	0%
Support services	7,816,587	7,762,366	1%
Non-instructional	1,558,371	1,558,282	0%
Pension expense	4,331,224	2,346,639	85%
Interest on long-term liabilities	271,011	295,073	(8)%
Total expenses	29,662,990	27,647,167	7%
Increase (Decrease) in net position	(362,615)	430,952	(184)%
Net Position (Deficit), July 1, as previously	(19,587,211)	10,196,124	(292)%
Prior Period Adjustment	0	(30,214,287)	(100)%
Net Position (Deficit), July 1, as restated	(19,587,211)	(20,018,163)	(2)%
Net Position (Deficit), June 30	\$ (19,949,826)	(19,587,211)	2%

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016



Governmental activities

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

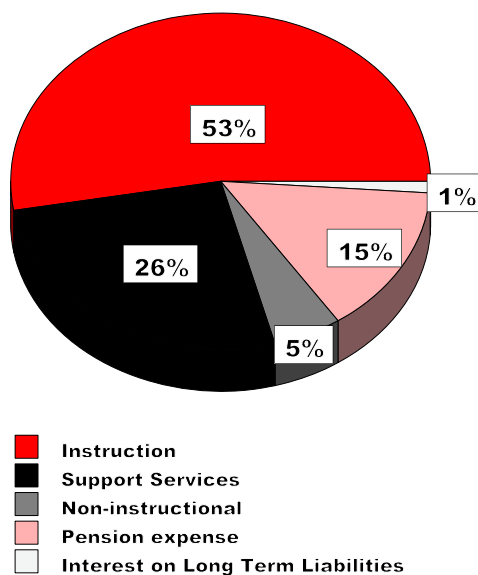
Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 15,685,797	15,684,807	0%
Support services	7,816,587	7,762,366	1%
Non-instructional	1,558,371	1,558,282	0%
Pension expense	4,331,224	2,346,639	85%
Interest on long-term liabilities	271,011	295,073	(8)%
Total expenses	\$ 29,662,990	27,647,167	7%

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

	Net (Expense) Revenue		
	2016	2015	Percentage Change
Instruction	\$ (13,204,109)	(13,414,038)	(2)%
Support services	(6,435,850)	(6,721,161)	(4)%
Non-instructional	172,424	78,585	119%
Pension expense	(4,331,224)	(2,346,639)	85%
Interest on long-term liabilities	(271,011)	(295,073)	(8)%
Total net (expense) revenue	\$ (24,069,770)	(22,698,326)	6%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$24,069,770 for 2016 and \$22,698,326 for 2015) was financed by general revenue, which is primarily made of property taxes (\$4,245,607 for 2016 and \$4,141,253 for 2015) and state and federal revenues (\$18,936,590 for 2016 and \$18,384,270 for 2015).
- Investment earnings amounted to \$31,716 for 2016 and \$29,007 for 2015.

Pontotoc County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,620,992, an increase of \$1,052,264, which includes a decrease in inventory of \$4,403. \$1,337,911, or 24% 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 \$4,283,081, or 76% 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 \$454,066. The fund balance of Other Governmental Funds showed an increase in the amount of \$466,681, which includes a decrease in inventory of \$4,403. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
PL 42-142 Fund	no increase or decrease
Vocational Fund	no increase or decrease
QSCB Debt Retirement Fund	\$ 131,517

BUDGETARY HIGHLIGHTS

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

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

Pontotoc County 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 \$22,543,511, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents a decrease of \$19,516 from 2015. Total accumulated depreciation as of June 30, 2016, was \$9,359,656, and total depreciation expense for the year was \$647,025, resulting in total net capital assets of \$13,183,855.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 423,761	423,761	0%
Construction in progress	277,672		
Buildings	9,666,143	9,918,244	(3)%
Building improvements	597,201	632,333	(6)%
Improvements other than buildings	177,806	192,156	(7)%
Mobile equipment	731,030	627,145	17%
Furniture and equipment	178,243	193,083	(8)%
Leased property under capital leases	<u>1,131,999</u>	<u>1,560,510</u>	<u>(27)%</u>
Total	\$ <u><u>13,183,855</u></u>	<u><u>13,547,232</u></u>	<u><u>(3)%</u></u>

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 \$6,814,573 in outstanding long-term debt, of which \$1,214,192 is due within one year. The liability for compensated absences decreased \$26,336 from the prior year.

Pontotoc County 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>
Three mill notes payable	\$ 1,338,391	1,748,991	(23)%
Shortfall note payable	753,367	763,266	(1)%
Obligations under capital leases	1,528,363	1,798,694	(15)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	194,452	220,788	(12)%
Total	\$ <u>6,814,573</u>	<u>7,531,739</u>	<u>(10)%</u>

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

CURRENT ISSUES

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

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

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

Enrollment for the 2015-2016 year remained about the same with 3,207 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Pontotoc County School District, 285 Hwy 15 By-Pass South, Pontotoc, MS 38863.

FINANCIAL STATEMENTS

PONTOTOC COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,444,643
Due from other governments	1,797,857
Accrued interest receivable	6,781
Other receivables, net	99
Inventories	27,638
Restricted assets	654,095
Capital assets, non-depreciable:	
Land	423,761
Construction in progress	277,672
Capital assets, net of accumulated depreciation:	
Buildings	9,666,143
Building improvements	597,201
Improvements other than buildings	177,806
Mobile equipment	731,030
Furniture and equipment	178,243
Leased property under capital leases	1,131,999
Total Assets	<u>19,114,968</u>
Deferred Outflows of Resources	
Pensions	8,089,984
Total deferred outflows of resources	<u>8,089,984</u>
Liabilities	
Accounts payable and accrued liabilities	152,617
Unearned revenue	6,799
Interest payable on long-term liabilities	226,649
Long-term liabilities, due within one year:	
Capital related liabilities	833,177
Non-capital related liabilities	381,015
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,033,577
Non-capital related liabilities	566,804
Net pension liability	39,011,889
Total Liabilities	<u>46,212,527</u>
Deferred Inflows of Resources	
Pensions	942,251
Total deferred inflows of resources	<u>942,251</u>
Net Position	
Net investment in capital assets	7,317,101
Restricted for:	
Expendable:	
School-based activities	507,079
Debt service	1,361,564
Capital improvements	242,187
Unemployment benefits	63,364
Unrestricted	(29,441,121)
Total Net Position (Deficit)	<u>\$ (19,949,826)</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 15,685,797	\$ 600,120	\$ 1,867,368	\$ 14,200	\$ (13,204,109)
Support services	7,816,587	-	1,380,737	-	(6,435,850)
Non-instructional	1,558,371	345,518	1,375,527	9,750	172,424
Pension expense	4,331,224	-	-	-	(4,331,224)
Interest on long-term liabilities	271,011	-	-	-	(271,011)
Total Governmental Activities	<u>\$ 29,662,990</u>	<u>\$ 945,638</u>	<u>\$ 4,623,632</u>	<u>\$ 23,950</u>	<u>\$ (24,069,770)</u>
General Revenues:					
Taxes:					
General purpose levies					3,494,323
Debt purpose levies					751,284
Unrestricted grants and contributions:					
State					18,790,327
Federal					146,263
Unrestricted investment earnings					31,716
Other					493,242
Total General Revenues					<u>23,707,155</u>
Change in Net Position					<u>(362,615)</u>
Net Position (Deficit)- Beginning					<u>(19,587,211)</u>
Net Position (Deficit)- Ending					<u>\$ (19,949,826)</u>

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

Governmental Funds

June 30, 2016

Liabilities and Fund Balances

Fund Balances:

Inventory	27,638	27,638
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Assigned:

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

PONTOTOC COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 5,620,992

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 423,761	
Construction in progress	277,672	
Buildings	15,155,540	
Building improvements	878,312	
Improvements other than buildings	447,772	
Mobile equipment	2,953,728	
Furniture and equipment	883,968	
Leased property under capital leases	1,522,758	
Intangible assets		
Accumulated depreciation	<u>(9,359,656)</u>	13,183,855

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

150,705

3. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(39,011,889)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	8,089,984	
Deferred inflows of resources related to pensions	<u>(942,251)</u>	(31,864,156)

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

Qualified school construction bond payable	(3,000,000)	
Notes payable	(2,091,758)	
Capital lease obligations	(1,528,363)	
Compensated absences	(194,452)	
Accrued interest payable	<u>(226,649)</u>	(7,041,222)

Net Position of governmental activities

\$ (19,949,826)

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

PONTOTOC COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	Major Funds					
	General Fund	Title I Fund	PL 42-142 Fund	Vocational Fund	QSCB Debt Retirement Fund	Other Governmental Funds
						Total Governmental Funds
Revenues:						
Local sources	\$ 4,311,156	\$	\$	\$ 118,080	\$ 14,509	\$ 1,105,542
State sources	18,662,307			1,024,560		328,943
Federal sources	149,038	696,447	710,608	56,923	149,896	1,955,347
Total Revenues	23,122,501	696,447	710,608	1,199,563	164,405	3,389,832
						29,283,356
Expenditures:						
Instruction	15,059,447	307,506	368,434	1,102,608		403,116
Support services	6,817,331	375,275	335,044	380,195		173,037
Noninstructional services	30,467	8,183	386			1,560,085
Facilities acquisition and construction						277,672
Debt service:						
Principal	690,330					554,793
Interest	69,521				172,500	46,017
Other	55,177				1,310	56,487
Total Expenditures	22,722,273	690,964	703,864	1,482,803	173,810	3,014,720
						28,788,434
Excess (Deficiency) of Revenues over (under) Expenditures	400,228	5,483	6,744	(283,240)	(9,405)	375,112
						494,922
Other Financing Sources (Uses):						
Notes issued	239,453					37,168
Capital leases issued						277,672
Payment held by QSCB escrow agent					140,922	140,922
Payment to QSCB escrow agent						(140,922)
Sale of transportation equipment	7,452					7,452
Operating transfers in	90,507			283,240		334
Operating transfers out	(283,574)	(5,483)	(6,744)			(78,280)
Total Other Financing Sources (Uses)	53,838	(5,483)	(6,744)	283,240	140,922	95,972
						561,745
Net Change in Fund Balances	454,066	-	-	-	131,517	471,084
						1,056,667
Fund Balances:						
July 1, 2015,	2,766,083	-	-	-	529,359	1,273,286
Increase (Decrease) in inventory	-	-	-	-	-	(4,403)
June 30, 2016	\$ 3,220,149	\$ -	\$ -	\$ -	\$ 660,876	\$ 1,739,967
						\$ 5,620,992

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

PONTOTOC COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,056,667

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

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

Capital outlay	\$ 327,678	
Depreciation expense	<u>(647,025)</u>	(319,347)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (44,030)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Notes issued	(276,621)	
Capital leases issued	(277,672)	
Payments of debt principal	1,245,123	
Accrued interest payable	<u>17,027</u>	707,857

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	26,336	
Change in inventory	(4,403)	
District pension contributions	2,544,720	
Pension expense	(4,331,224)	
Change in accrued federal reserve	<u>809</u>	(1,763,762)

Change in Net Position of governmental activities		<u><u>\$ (362,615)</u></u>
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The notes to the financial statements are an integral part of this statement.

PONTOTOC COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 986,894
Total Assets	<u>\$ 986,894</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 826,446
Due to student clubs	160,448
Total Liabilities	<u>\$ 986,894</u>

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

Pontotoc County School District

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

Pontotoc County School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended Component Unit

The Pontotoc County Schools Leasing Authority, Inc. ("the Authority"), as explained in the following paragraph, is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is government by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. The Authority has provided financing through qualified school construction bonds. These are described in Note 9.

Pontotoc County School District

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to 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.

Pontotoc County School District

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

Title I Fund - This fund is used to account for the federal revenues and expenditures of the Title I program.

PL 42-142 Fund - This fund is used to account for the federal revenues and expenditures of the Special Education program.

Vocational Fund - This fund is used to account for the federal revenues and expenditures of the Vocational Education program.

QSCB Debt Retirement Fund - This fund is used to account for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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

The District's fiduciary funds include the following:

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

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

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.

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.

Pontotoc County School District

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the

Pontotoc County School District

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

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.

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.

Pontotoc County School District

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

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 School Construction Bond sinking funds.

6. Capital Assets

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

Pontotoc County School District

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

value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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 that time. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 12 for further details.

Pontotoc County School District

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

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

Pontotoc County School District

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and 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 goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Pontotoc County School District

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

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accountability for reliability of receivables and depreciation. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents and Investments

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

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

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

Pontotoc County School District

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,444,643 and \$986,894, 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 \$5,955,295 was exposed to custodial credit risk.

Investments

As of June 30, 2016 the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 9.

Investment Type	Rating	Maturities in (years)	Fair Value
U. S. Government Securities	AAA	1 years	\$ <u>654,095</u>

The district 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 inputs.

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

- Level 1 type of investments of \$654,095 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.

Pontotoc County School District

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

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

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

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

Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 111,677
	PL 42-142 Fund	101,560
	Vocational Fund	240,836
	Other Governmental Funds	156,094
Other Governmental Funds	General Fund	37,168
Total		<u>\$ 647,335</u>

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

Pontotoc County School District

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

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 5,483
	PL 42-142 Fund	6,744
	Other Governmental Funds	78,280
Other Governmental Funds	General Fund	334
Vocational Fund	General Fund	283,240
Total		<u>\$ 374,081</u>

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

Note 4 - Restricted Assets

The restricted assets represent the investment balance, totaling \$654,095, of the QSCB Bond Retirement Fund described in Note 9.

Pontotoc County School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2015	Additions	Retirements	Adjustments	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 423,761				423,761
Construction in progress		277,672			277,672
Total non-depreciable capital assets	423,761	277,672	0	0	701,433
<u>Depreciable capital assets:</u>					
Buildings	15,155,540				15,155,540
Building improvements	878,312				878,312
Improvements other than buildings	447,772				447,772
Mobile equipment	2,827,226		323,157	449,659	2,953,728
Furniture and equipment	857,999	50,006	24,037		883,968
Leased property under capital leases	1,972,417			(449,659)	1,522,758
Total depreciable capital assets	22,139,266	50,006	347,194	0	21,842,078
<u>Less accumulated depreciation for:</u>					
Buildings	5,237,296	252,101			5,489,397
Building improvements	245,979	35,132			281,111
Improvements other than buildings	255,616	14,350			269,966
Mobile equipment	2,200,081	140,107	279,367	161,877	2,222,698
Furniture and equipment	664,916	64,606	23,797		705,725
Leased property under capital leases	411,907	140,729		(161,877)	390,759
Total accumulated depreciation	9,015,795	647,025	303,164	0	9,359,656
Total depreciable capital assets, net	13,123,471	(597,019)	44,030	0	12,482,422
Governmental activities capital assets, net	\$ 13,547,232	(319,347)	44,030	0	13,183,855

Adjustments were made to properly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 325,175
Support services	297,236
Non-instructional	24,614
Total depreciation expense	\$ 647,025

Pontotoc County School District

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

Construction in progress is composed of:

Governmental Activities:	Spent to June 30,	Remaining Commitment
Two weather domes	\$ <u>277,672</u>	*

* This is a FEMA reimbursement safe room project. The remaining commitment is unknown at this time.

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. Three mill notes payable	\$ 1,748,991		410,600	1,338,391	427,800
B. Shortfall notes payable	763,266	276,621	286,520	753,367	381,015
C. Obligations under capital leases	1,798,694	277,672	548,003	1,528,363	405,377
D. Qualified school construction bonds	3,000,000			3,000,000	
E. Compensated absences payable	<u>220,788</u>		<u>26,336</u>	<u>194,452</u>	
Total	<u>\$ 7,531,739</u>	<u>554,293</u>	<u>1,271,459</u>	<u>6,814,573</u>	<u>1,214,192</u>

A. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2002	2.75-4.25%	10-01-02	10-01-17	\$ 2,200,000	521,000
2. Limited Tax Note, Series 2008	4.33%	09-02-08	09-02-18	800,000	276,966
3. Limited Tax Note, Series 2012	2.95%	01-03-12	01-03-22	<u>850,000</u>	<u>540,425</u>
Total				<u>\$ 3,850,000</u>	<u>1,338,391</u>

Pontotoc County School District

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

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

1. Three mill notes payable issue of 2002:

Year Ending June 30	Principal	Interest	Total
2017	\$ 256,000	22,143	278,143
2018	265,000	11,262	276,262
Total	\$ 521,000	33,405	554,405

The EEF Buildings and Buses revenue has been pledged for this debt. On December 10, 2002, the Pontotoc County School Board pledged its EEF Buildings and Buses revenue of \$94,000 annually for payment on the three mill note payable to Trustmark Bank. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with the 2002-2003 school year and ends with the 2015-2016 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the 2015-2016 school year, the revenue was \$102,673. All of these funds were applied to the debt payment. The remainder of the debt payment of principal and interest of \$274,882 was paid out of District Maintenance.

2. Three mill notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 88,374	12,194	100,568
2018	92,287	8,281	100,568
2019	96,305	4,229	100,534
Total	\$ 276,966	24,704	301,670

This debt will be retired from the 2008 Note Retirement Fund.

Pontotoc County School District

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

3. Three mill notes payable issue of 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 83,426	16,188	99,614
2018	85,966	13,648	99,614
2019	88,537	11,077	99,614
2020	91,185	8,429	99,614
2021	93,897	5,717	99,614
2022	97,414	2,171	99,585
Total	\$ <u>540,425</u>	<u>57,230</u>	<u>597,655</u>

This debt will be retired from the SPMS Cafeteria Note Retirement Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 427,800	50,525	478,325
2018	443,253	33,191	476,444
2019	184,842	15,306	200,148
2020	91,185	8,429	99,614
2021	93,897	5,717	99,614
2022	97,414	2,171	99,585
Total	\$ <u>1,338,391</u>	<u>115,339</u>	<u>1,453,730</u>

Pontotoc County School District

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

B. Shortfall Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note, Series 2013	1.48%	08-29-13	09-01-16	\$ 317,717	107,400
2. Revenue Shortfall Note, Series 2014	1.44%	07-29-14	07-29-17	550,103	369,346
3. Revenue Shortfall Note, Series 2015	2.14%	10-15-15	10-14-18	276,621	276,621
Total				\$ <u>1,144,441</u>	<u>753,367</u>

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

1. Shortfall note payable issue of 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ <u>107,400</u>	<u>1,749</u>	<u>109,149</u>

This debt will be retired from the Shortfall Note Debt Service Fund.

2. Shortfall note payable issue of 2014:

Year Ending June 30	Principal	Interest	Total
2017	\$ 183,346	5,333	188,679
2018	<u>186,000</u>	<u>2,678</u>	<u>188,678</u>
Total	\$ <u>369,346</u>	<u>8,011</u>	<u>377,357</u>

This debt will be retired from the Shortfall Note Debt Service Fund.

Pontotoc County School District

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

3. Shortfall note payable issue of 2015:

Year Ending June 30	Principal	Interest	Total
2017	\$ 90,269	5,907	96,176
2018	92,191	3,986	96,177
2019	94,161	2,015	96,176
Total	\$ <u>276,621</u>	<u>11,908</u>	<u>288,529</u>

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 381,015	12,989	394,004
2018	278,191	6,664	284,855
2019	94,161	2,015	96,176
Total	\$ <u>753,367</u>	<u>21,668</u>	<u>775,035</u>

C. Obligations under Capital Leases

The school district has entered into lease agreements as lessee for financing the acquisition of six buses at a cost of \$449,659, for financing the acquisition of eight buses at a cost of \$607,232, for financing the acquisition of iPads at a cost of \$154,830, for financing the cost of computers at a cost of \$307,420, and for financing the cost of two weather domes at a cost of \$277,672. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2011 A	5.00%	08-16-11	04-10-16	\$ 449,659	0
2. Series 2012 A	1.63%	11-15-12	11-15-16	607,232	155,537
3. Series 2013 A	2.82%	07-10-13	07-10-15	144,760	0
4. Series 2013 B	2.30%	09-01-13	09-01-16	307,420	77,707
5. Series 2014 A	6.91%	01-09-14	01-09-16	10,070	0
6. Series 2014 B	0.00%	08-01-14	08-01-17	350,021	175,011
7. Series 2014 C	2.50%	08-01-14	08-01-24	925,000	842,436
8. FEMA Safe Room Project Lease	2.11%	02-24-16	08-24-18	277,672	277,672
Total				\$ <u>3,071,834</u>	<u>1,528,363</u>

Pontotoc County School District

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

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

1. Series 2011 A:

This debt was paid off and retired from the General Fund.

2. Series 2012 A:

Year Ending 42550	Principal	Interest	Total
2017	\$ 155,537	2,554	158,091

This debt will be retired from the General Fund.

3. Series 2013 A

This debt was paid off and retired from the General Fund.

4. Series 2013 B:

Year Ending 42550	Principal	Interest	Total
2017	\$ 77,707	1,784	79,491

This debt will be retired from the General Fund.

5. Series 2014 A:

This debt was paid off and retired from the General Fund.

6. Series 2014 B:

Year Ending June 30	Principal	Interest	Total
2017	\$ 87,505	3,374	90,879
2018	87,506	3,374	90,880
Total	\$ 175,011	6,748	181,759

This debt will be retired from the General Fund.

Pontotoc County School District

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

7. Series 2014 C:

Year Ending June 30	Principal	Interest	Total
2017	\$ 84,628	21,061	105,689
2018	86,744	18,945	105,689
2019	88,913	16,777	105,690
2020	91,136	14,554	105,690
2021	93,414	12,275	105,689
2022 - 2025	397,601	25,157	422,758
Total	\$ <u>842,436</u>	<u>108,769</u>	<u>951,205</u>

This debt will be retired from the General Fund.

8. FEMA Safe Room Project Lease:

The school district entered into a project lease agreement on January 13, 2015 to design and construct two weather domes for the North and South Campus. The school district was awarded the maximum principal amount of \$4,114,000, with an interest rate of 2.11% before the construction period and 2.88% after the construction period, to be drawn down during the construction period. FEMA has agreed to reimburse the school district 90% of the cost of the project. The district is obligated to repay the full amount of principal drawn regardless of whether FEMA reimburses any project costs. The district has acquired a lease in the amount of \$277,672 as of June 30, 2016 from First Choice Bank, Pontotoc, Mississippi. The construction period is expected to last about 15 years. The outstanding principal will be amortized over the remaining lease term which is expected to be 15 years or shorter. The principal and interest will be paid annually in August of each year beginning August 1, 2018.

Total obligation under capital leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 405,377	28,773	434,150
2018	174,250	22,319	196,569
2019	88,913	16,777	105,690
2020	91,136	14,554	105,690
2021	93,414	12,275	105,689
2022- 2026	397,601	25,157	422,758
Total	\$ <u>1,250,691</u> *	<u>119,855</u>	<u>1,370,546</u>

Pontotoc County School District

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

* The school district's capital leases principal amounts totaling \$1,250,691, excludes the capital lease acquired during the fiscal year. The total outstanding capital lease principal balance as of June 30, 2016 is \$1,528,363.

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

D. Qualified School Construction Bonds Payable

As more fully explained in Note 9, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
QSCB Series 2010	5.75%	09-14-10	08-01-26	\$ <u>3,000,000</u>	<u>3,000,000</u>

E. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Pontotoc County School District

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,544,720, \$2,483,274, and \$2,351,876, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$39,011,889 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 0.252373 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.007998 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.

Pontotoc County School District

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

For the year ended June 30, 2016, the District recognized pension expense of \$4,331,224. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,063,102	\$
Net difference between projected and actual earnings on pension plan investments		2,017,206
Change of assumptions	3,360,741	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,121,421	(1,074,955)
District contributions subsequent to the measurement date	2,544,720	
Total	<u>\$ 8,089,984</u>	<u>\$ 942,251</u>

\$2,544,720 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,708,627
2017	1,597,715
2018	726,018
2019	570,653
Total	<u>\$ 4,603,013</u>

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

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

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

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

Pontotoc County School District

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

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>	<u>%</u>		

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ <u>51,421,244</u>	\$ <u>39,011,889</u>	\$ <u>28,714,445</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.

Pontotoc County School District

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

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 member's 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 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$150,058.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the

Pontotoc County School District

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

U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2016 was \$660,876, including accrued income of \$6,781. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district, the interest on the bonds, and the anticipated credit payments from the federal government.

Year Ending June 30		Sinking Fund Deposits	Interest Payable	Less Anticipated Credit Payments	Net Payments
2017	\$	130,000	172,500	161,700	140,800
2018		130,000	172,500	161,700	140,800
2019		230,000	172,500	161,700	240,800
2020		230,000	172,500	161,700	240,800
2021		230,000	172,500	161,700	240,800
2021 - 2025		1,165,000	862,500	808,500	1,219,000
2026 - 2027		470,000	345,000	323,400	491,600
Total	\$	<u>2,585,000</u>	<u>2,070,000</u>	<u>1,940,400</u>	<u>2,714,600</u>

The EEF Buildings and Buses revenue has been pledged for this debt. On June 28, 2010, the Pontotoc County School Board pledged its EEF Buildings and Buses revenue of \$102,848 annually for payment on the Qualified School Construction Bonds, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with the 2011 - 2012 school year and ends with the 2024 - 2025 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the 2015 - 2016 school year, the EEF revenue was \$102,673. All of these funds were applied to the debt payment of a currently outstanding debt obligation.

Note 10 - 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 disallowance 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

Pontotoc County School District

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

lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Pontotoc County School District and the Pontotoc City School District.

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

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Pontotoc Ridge Career and Technical Center.

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

Revenues

Local sources

Tuition from other LEA's within the state:

Pontotoc City School District	\$	118,080
Total Local sources		<u>118,080</u>

State sources	1,024,560
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Federal sources	<u>56,923</u>
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Total Revenues	<u>1,199,563</u>
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Expenditures

Salaries	1,012,675
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Employee benefits	329,959
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Purchased property services	51,947
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Other purchased services	9,269
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Supplies	21,074
----------	--------

Property	54,257
----------	--------

Other	<u>3,622</u>
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Total Expenditures	<u>1,482,803</u>
--------------------	------------------

Excess (Deficiency) of Revenues Over Expenditures	<u>(283,240)</u>
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Pontotoc County School District

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

Other Financing Sources/Uses:

Other Transfers In	283,240
Total Other Financing Sources/Uses	283,240
Net Change in Fund Balance	0

Fund Balance:

July 1, 2015	0
June 30, 2016	\$ 0

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$29,441,121) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$8,089,984 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 (\$29,441,121) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$942,251 balance of deferred inflow of resources at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Note 13 - 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 School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,747,226	\$ 4,311,156	\$ 4,311,156	\$ (436,070)	\$ -
State sources	18,616,132	18,662,307	18,662,307	46,175	-
Federal sources	110,550	149,038	149,038	38,488	-
Total Revenues	23,473,908	23,122,501	23,122,501	(351,407)	-
Expenditures:					
Instruction	15,203,094	15,059,447	15,059,447	143,647	-
Support services	7,231,797	6,817,331	6,817,331	414,466	-
Noninstructional services	32,000	30,467	30,467	1,533	-
Debt service:					
Principal	920,478	690,330	690,330	230,148	-
Interest		69,521	69,521	(69,521)	-
Other		55,177	55,177	(55,177)	-
Total Expenditures	23,387,369	22,722,273	22,722,273	665,096	-
Excess (Deficiency) of Revenues over (under) Expenditures	86,539	400,228	400,228	313,689	-
Other Financing Sources (Uses):					
Notes issued		239,453	239,453	239,453	-
Sale of transportation equipment		7,452	7,452	7,452	-
Operating transfers in	200,000	90,507	90,507	(109,493)	-
Operating transfers out	(250,000)	(283,574)	(283,574)	(33,574)	-
Total Other Financing Sources (Uses)	(50,000)	53,838	53,838	103,838	-
Net Change in Fund Balances	36,539	454,066	454,066	417,527	-
Fund Balances:					
July 1, 2015	2,766,083	2,766,083	2,766,083	-	-
June 30, 2016	\$ 2,802,622	\$ 3,220,149	\$ 3,220,149	\$ 417,527	\$ -

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 582,784	\$ 696,447	\$ 696,447	\$ 113,663	\$ -
Total Revenues	582,784	696,447	696,447	113,663	-
Expenditures:					
Instruction	260,736	307,506	307,506	(46,770)	-
Support services	307,619	375,275	375,275	(67,656)	-
Noninstructional services	8,341	8,183	8,183	158	-
Total Expenditures	576,696	690,964	690,964	(114,268)	-
Excess (Deficiency) of Revenues over (under) Expenditures	6,088	5,483	5,483	(605)	-
Other Financing Sources (Uses):					
Operating transfers out	(6,088)	(5,483)	(5,483)	605	-
Total Other Financing Sources (Uses)	(6,088)	(5,483)	(5,483)	605	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	-

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

PL 42-142 Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 785,689	\$ 710,608	\$ 710,608	\$ (75,081)	\$ -
Total Revenues	785,689	710,608	710,608	(75,081)	-
Expenditures:					
Instruction	443,031	368,434	368,434	74,597	-
Support services	336,406	335,044	335,044	1,362	-
Noninstructional services	-	386	386	(386)	-
Total Expenditures	779,437	703,864	703,864	75,573	-
Excess (Deficiency) of Revenues over (under) Expenditures	6,252	6,744	6,744	492	-
Other Financing Sources (Uses):					
Operating transfers out	(6,252)	(6,744)	(6,744)	(492)	-
Total Other Financing Sources (Uses)	(6,252)	(6,744)	(6,744)	(492)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015				-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Vocational Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 110,000	\$ 118,080	\$ 118,080	\$ 8,080	\$ -
State sources	1,133,503	1,024,560	1,024,560	(108,943)	-
Federal sources	56,918	56,923	56,923	5	-
Total Revenues	1,300,421	1,199,563	1,199,563	(100,858)	-
Expenditures:					
Instruction	1,142,858	1,102,608	1,102,608	40,250	-
Support services	391,841	380,195	380,195	11,646	-
Total Expenditures	1,534,699	1,482,803	1,482,803	51,896	-
Excess (Deficiency) of Revenues over (under) Expenditures	(234,278)	(283,240)	(283,240)	(48,962)	-
Other Financing Sources (Uses):					
Operating transfers in	234,278	283,240	283,240	48,962	-
Total Other Financing Sources (Uses)	234,278	283,240	283,240	48,962	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

Pontotoc County 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) \$	39,011,889	29,662,651
District's proportionate share of the net pension liability (asset)	0.252373%	0.244375%
District's covered - employee payroll	15,766,819	14,932,546
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
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.

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

	2016	2015
Contractually required contribution	\$ 2,544,720	2,483,274
Contributions in relation to the contractually required contribution	2,544,720	2,483,274
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	16,156,952	15,766,819
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

Pontotoc County 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

PONTOTOC COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 291,152
National School Lunch Program	10.555	1,157,119
Summer Food Service Program for Children	10.559	709
Total Child Nutrition Cluster		<u>1,448,980</u>
Total passed-through Mississippi Department of Education		<u>1,448,980</u>
Passed-through County of Pontotoc:		
Cooperative Forestry Assistance	10.664	2,114
Total passed-through County of Pontotoc		<u>2,114</u>
Total U.S. Department of Agriculture		<u>1,451,094</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	51,138
Total Federal Communications Commission		<u>51,138</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	696,447
Career and Technical Education - Basic Grants to States	84.048	5,410
Rural Education	84.358	49,116
English Language Acquisition State Grants	84.365	30,915
Supporting Effective Instruction State Grant	84.367	167,907
Subtotal		<u>949,795</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	710,608
Special Education - Preschool Grants	84.173	10,832
Total Special Education Cluster		<u>721,440</u>
Total U.S. Department of Education		<u>1,671,235</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	56,923
Total passed-through Mississippi Department of Rehabilitation Services		<u>56,923</u>
Total U.S. Department of Education		<u>1,728,158</u>
<u>U.S. Department of Homeland Security</u>		
Direct Program:		
Hazard Mitigation Grant	97.039	277,672
Total U.S. Department of Homeland Security		<u>277,672</u>
Total for All Federal Awards		<u><u>\$ 3,508,062</u></u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The School District did not elect to use the 10% de minimus interest cost rate.

PONTOTOC COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 22,013,285	17,595,325	699,874	1,560,827	2,157,259
Other	6,775,149	2,217,207	159,882	10,078	4,387,982
Total	<u>\$ 28,788,434</u>	<u>19,812,532</u>	<u>859,756</u>	<u>1,570,905</u>	<u>6,545,241</u>
Total number of students *	<u>3,207</u>				
Cost per student	<u>\$ 8,977</u>	<u>6,178</u>	<u>268</u>	<u>490</u>	<u>2,041</u>

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

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

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

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

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

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

OTHER INFORMATION

PONTOTOC COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 4,311,156	\$ 4,227,584	\$ 4,298,177	\$ 4,308,964
State sources	18,662,307	18,194,703	16,799,330	16,553,876
Federal sources	149,038	111,839	128,791	145,533
Total Revenues	23,122,501	22,534,126	21,226,298	21,008,373
Expenditures:				
Instruction	15,059,447	15,164,599	14,639,346	13,784,672
Support services	6,817,331	7,794,265	7,146,003	7,294,986
Noninstructional services	30,467	33,104	31,043	28,183
Facilities acquisition and construction	-	59,154	-	62,572
Debt service:				
Principal	690,330	397,307	356,628	195,999
Interest	69,521	58,881	74,784	78,175
Other	55,177	9,468	-	-
Total Expenditures	22,722,273	23,516,778	22,247,804	21,444,587
Excess (Deficiency) of Revenues over (under) Expenditures	400,228	(982,652)	(1,021,506)	(436,214)
Other Financing Sources (Uses):				
Notes issued	239,453	524,641	317,267	-
Capital leases issued	-	1,275,021	462,250	607,232
Sale of transportation equipment	7,452	-	18,932	-
Operating transfers in	90,507	98,596	100,089	94,636
Operating transfers out	(283,574)	(293,773)	(266,303)	(466,788)
Total Other Financing Sources (Uses)	53,838	1,604,485	632,235	235,080
Net Change in Fund Balances	454,066	621,833	(389,271)	(201,134)
Fund Balances:				
July 1,	2,766,083	2,144,250	2,533,521	2,734,655
June 30,	\$ 3,220,149	\$ 2,766,083	\$ 2,144,250	\$ 2,533,521

*SOURCE - PRIOR YEAR AUDIT REPORTS

PONTOTOC COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 5,549,287	\$ 5,418,756	\$ 5,492,352	\$ 5,467,654
State sources	20,015,810	19,474,958	18,086,404	17,640,872
Federal sources	3,718,259	3,142,276	3,227,634	3,072,791
Total Revenues	29,283,356	28,035,990	26,806,390	26,181,317
Expenditures:				
Instruction	17,241,111	17,234,911	16,675,272	15,591,440
Support services	8,080,882	8,960,561	8,324,109	8,412,625
Noninstructional services	1,599,121	1,597,068	1,791,022	1,736,178
Facilities acquisition and construction	277,672	59,154	278,388	63,857
Debt service:				
Principal	1,245,123	953,580	749,225	448,506
Interest	288,038	284,995	292,225	303,283
Other	56,487	10,446	7,328	630
Total Expenditures	28,788,434	29,100,715	28,117,569	26,556,519
Excess (Deficiency) of Revenues over (under) Expenditures	494,922	(1,064,725)	(1,311,179)	(375,202)
Other Financing Sources (Uses):				
Notes issued	276,621	550,103	317,267	-
Capital leases issued	277,672	1,275,021	462,250	607,232
Payment held by QSCB escrow agent	140,922	145,360	-	-
Payment to QSCB escrow agent	(140,922)	(145,360)	-	-
Sale of transportation equipment	7,452	-	18,932	-
Operating transfers in	374,081	392,369	366,392	561,424
Operating transfers out	(374,081)	(392,369)	(366,392)	(561,424)
Total Other Financing Sources (Uses)	561,745	1,825,124	798,449	607,232
Net Change in Fund Balances	1,056,667	760,399	(512,730)	232,030
Fund Balances:				
July 1,	4,568,728	3,801,377	4,316,482	4,102,631
Increase (Decrease) in inventory	(4,403)	6,952	(2,375)	(18,179)
June 30,	\$ 5,620,992	\$ 4,568,728	\$ 3,801,377	\$ 4,316,482

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS 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
Pontotoc County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pontotoc County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pontotoc County School District's basic financial statements, and have issued our report thereon dated October 11, 2016.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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
October 11, 2016

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
Pontotoc County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with 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 each of Pontotoc County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Pontotoc County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Pontotoc County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pontotoc County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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
October 11, 2016

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
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc County School District as of and for the year ended June 30, 2016, which collectively comprise the Pontotoc County School District's basic financial statements and have issued our report thereon dated October 11, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
October 11, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pontotoc County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported
3. Noncompliance material to financial statements? 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 federal 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

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 Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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