



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

PRENTISS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

PRENTISS COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - Child Nutrition Fund	55
Budgetary Comparison Schedule - Title I Grant Fund	57
Budgetary Comparison Schedule - 21st Century Grant Fund	59
Schedule of the District's Proportionate Share of the Net Pension Liability	61
Schedule of District Contributions	63
Notes to the Required Supplementary Information	65
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	69
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	71
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	75
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	77
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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.	81
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	83
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	87
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	91
CORRECTIVE ACTION PLAN	97

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Prentiss 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 Prentiss 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 Prentiss County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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 9-16, 53-59, 61, and 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

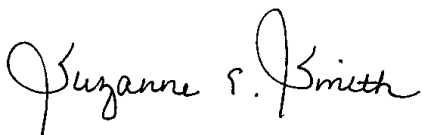
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prentiss County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Prentiss 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 Prentiss County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, MS
December 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$1,295,295, including a prior period adjustment of \$4,293, which represents a 11.45% decrease from fiscal year 2015. Total net position for 2015 decreased \$22,824,960, including a prior period adjustment of (\$23,406,424), which represents a 198.30% decrease from fiscal year 2014.
- General revenues amounted to \$16,616,389 and \$16,225,444, or 75% and 75% 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 \$5,417,253, or 25% of total revenues for 2016, and \$5,404,989, or 25% of total revenues for 2015.
- The District had \$23,333,230 and \$21,048,969 in expenses for fiscal years 2016 and 2015; only \$5,417,253 for 2016 and \$5,404,989 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,616,389 for 2016 were not adequate to provide for these programs, while general revenues of \$16,225,444 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,039,496 in revenues and \$16,112,552 in expenditures for 2016, and \$15,865,644 in revenues and \$15,699,770 in expenditures in 2015. The General Fund's fund balance increased by \$307,892 from 2015 to 2016, including a prior period adjustment of (\$43,947), and increased by \$223,640, including a prior period adjustment of \$1,970, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$146,318 for 2016 and decreased by \$259,787 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable, decreased by \$510,275 for 2016 and decreased by \$599,384, including a prior period adjustment of (\$2,512), for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$6,257 for 2016 and decreased by \$3,679 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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 \$12,610,501 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.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 5,944,871	\$ 5,625,497	5.68 %
Restricted assets	82,533	74,004	11.53 %
Capital assets, net	8,771,993	8,918,311	(1.64) %
Total assets	14,799,397	14,617,812	1.24 %
Deferred outflows of resources	7,461,511	2,987,216	149.78 %
Current liabilities	75,934	127,520	(40.45) %
Long-term debt outstanding	2,015,813	2,526,088	(20.20) %
Net pension liability	29,648,498	22,941,139	29.24 %
Total liabilities	31,740,245	25,594,747	24.01 %
Deferred inflows of resources	3,131,164	3,325,487	(5.84) %
Net position:			
Net investment in capital assets	6,981,033	6,618,854	5.47 %
Restricted	1,430,924	1,298,495	10.20 %
Unrestricted	(21,022,458)	(19,232,555)	(9.31) %
Total net position	\$ (12,610,501)	\$ (11,315,206)	(11.45) %

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)	(\$21,022,458)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	25,358,324
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,335,866</u>

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

- Decrease in net capital assets in the amount of \$146,318.
- The principal retirement of \$524,374 of long-term debt.
- The increase in net pension liability of \$6,707,359.

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$22,033,642 and \$21,630,433, respectively. The total cost of all programs and services was \$23,333,230 for 2016 and \$21,048,969 for 2015.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,264,114	\$ 1,222,324	3.42 %
Operating grants and contributions	4,153,139	4,182,665	(0.71) %
General revenues:			
Property taxes	3,418,389	3,260,341	4.85 %
Grants and contributions not restricted	13,167,622	12,892,361	2.14 %
Investment earnings	1,843	1,722	7.03 %
Other	28,535	71,020	(59.82) %
Total revenues	22,033,642	21,630,433	1.86 %
Expenses:			
Instruction	11,961,298	11,770,661	1.62 %
Support services	5,616,594	5,785,204	(2.91) %
Non-instructional	1,712,243	1,601,585	6.91 %
Pension expense	3,974,510	1,803,484	120.38 %
Interest on long-term liabilities	68,585	88,035	(22.09) %
Total expenses	23,333,230	21,048,969	10.85 %
Increase (Decrease) in net position	(1,299,588)	581,464	(323.50) %
Net Position, July 1, as previously reported	(11,315,206)	11,509,754	(198.31) %
Prior Period Adjustment	4,293	(23,406,424)	100.02 %
Net Position, July 1, as restated	(11,310,913)	(11,896,670)	4.92 %
Net Position, June 30	\$ (12,610,501)	\$ (11,315,206)	(11.45) %

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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 11,961,298	\$ 11,770,661	1.62 %
Support services	5,616,594	5,785,204	(2.91) %
Non-instructional	1,712,243	1,601,585	6.91 %
Pension Expense	3,974,510	1,803,484	120.38 %
Interest on long-term liabilities	68,585	88,035	(22.09) %
Total expenses	\$ 23,333,230	\$ 21,048,969	10.85 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (9,158,500)	\$ (9,003,999)	(1.72) %
Support services	(4,534,784)	(4,609,590)	1.62 %
Non-instructional	(179,598)	(212,226)	15.37 %
Pension Expense	(3,974,510)	(1,803,484)	(120.38) %
Interest on long-term liabilities	(68,585)	(14,681)	(367.17) %
Total net (expense) revenue	\$ (17,915,977)	\$ (15,643,980)	(14.52) %

- Net cost of governmental activities [(\$17,915,977) for 2016 and (\$15,643,980) for 2015] was financed by general revenue, which is primarily made up of property taxes (\$3,418,389 for 2016 and \$3,260,341 for 2015) and state and federal revenues (\$13,167,622 for 2016 and \$12,892,361 for 2015).
- Investment earnings amounted to \$1,843 for 2016 and \$1,722 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,960,163, an increase of \$375,842, which includes a prior period adjustment of (\$2,606) and an increase in inventory of \$4,071. \$3,857,153 or 65% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,103,010 or 35% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$307,892, including a prior period adjustment of (\$43,497). The fund balance of Other Governmental Funds showed a decrease in the amount of \$944, including a prior period adjustment of \$41,341. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ 68,894
Title I Grant Fund	-
21st Century Grant Fund	-

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 fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$15,277,799, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$188,747 from 2015. Total accumulated depreciation as of June 30, 2016, was \$6,505,806, and total depreciation expense for the year was \$369,264, resulting in total net capital assets of \$8,771,993.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 252,754	252,754	0.00 %
Buildings	7,362,455	7,584,165	(2.92) %
Building improvements	326,776	349,998	(6.63) %
Improvements other than buildings	224,595	237,713	(5.52) %
Mobile equipment	519,237	414,839	25.17 %
Furniture and equipment	63,708	57,725	10.36 %
Leased property under capital lease	22,468	21,117	6.40 %
Total	\$ 8,771,993	\$ 8,918,311	(1.64) %

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

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

Debt Administration. At June 30, 2016, the District had \$2,015,813 in outstanding long-term debt, of which \$544,831 is due within one year. The liability for compensated absences increased \$6,257 from the prior year. Principal payments of \$524,374 were made during the year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 695,000	\$ 1,040,000	(33.17) %
Addition: bond premium	2,927	5,857	(50.03) %
Three mill notes payable	1,105,000	1,275,000	(13.33) %
Addition: bond premium	10,097	11,779	(14.28) %
Obligations under capital lease	18,109	15,029	20.49 %
Compensated absences payable	184,680	178,423	3.51 %
Total	<u>\$ 2,015,813</u>	<u>\$ 2,526,088</u>	<u>(20.20) %</u>

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

CURRENT ISSUES

The Prentiss 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 plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Prentiss County School District, 103 North College Street, Booneville, Mississippi 38829.

FINANCIAL STATEMENTS

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,921,215
Due from other governments	972,793
Other receivables, net	18,253
Inventories	32,610
Restricted assets	82,533
Capital assets, net of accumulated depreciation	8,771,993
Total Assets	<u>14,799,397</u>
Deferred Outflows of Resources	
Advance refunding of debt	40,173
Pensions	7,421,338
Total deferred inflows of resources	<u>7,461,511</u>
Liabilities	
Accounts payable and accrued liabilities	67,241
Interest payable on long-term liabilities	8,693
Long-term liabilities, due within one year:	
Capital related liabilities	544,831
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,273,278
Non-capital related liabilities	184,680
Bond premium	13,024
Net pension liability	29,648,498
Total Liabilities	<u>31,740,245</u>
Deferred Inflows of Resources	
Pensions	3,131,164
Total deferred inflows of resources	<u>3,131,164</u>
Net Position	
Net investment in capital assets	6,981,033
Restricted for:	
Expendable:	
School-based activities	844,818
Debt service	555,745
Unemployment benefits	30,361
Unrestricted	(21,022,458)
Total Net Position	<u>\$ (12,610,501)</u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 11,961,298	985,107	1,817,691		(9,158,500)
Support services	5,616,594		1,081,810		(4,534,784)
Non-instructional	1,712,243	279,007	1,239,738	13,900	(179,598)
Pension expense	3,974,510				(3,974,510)
Interest on long-term liabilities	68,585				(68,585)
Total Governmental Activities	<u>\$ 23,333,230</u>	<u>1,264,114</u>	<u>4,139,239</u>	<u>13,900</u>	<u>\$ (17,915,977)</u>
General Revenues:					
Taxes:					
General purpose levies					3,241,920
Debt purpose levies					176,469
Unrestricted grants and contributions:					
State					13,064,400
Federal					103,222
Unrestricted investment earnings					1,843
Other					28,535
Total General Revenues					<u>16,616,389</u>
Change in Net Position					<u>(1,299,588)</u>
Net Position - Beginning, as previously reported					(11,315,206)
Prior Period Adjustments					<u>4,293</u>
Net Position - Beginning, as restated					<u>(11,310,913)</u>
Net Position - Ending					<u>\$ (12,610,501)</u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds					
	General	Child	Title I	21st Century	Other	Total
	Fund	Nutrition	Grant	Grant	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 3,775,670	811,805			333,740	4,921,215
Investments					82,533	82,533
Due from other governments	304,020		166,632	135,720	366,421	972,793
Other receivables, net					18,117	18,117
Due from other funds	394,319					394,319
Inventories		32,610				32,610
Total assets	4,474,009	844,415	166,632	135,720	800,811	6,421,587
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	33,209			28,746	5,286	67,241
Due to other funds			166,632	106,974	120,577	394,183
Total Liabilities	33,209	0	166,632	135,720	125,863	461,424
Fund Balances:						
Nonspendable:						
Inventory		32,610				32,610
Restricted:						
Debt service					564,438	564,438
Grant activities		811,805			403	812,208
Unemployment benefits					30,361	30,361
Assigned:						
Student activities	219,978					219,978
Special projects	363,668					363,668
Transportation	1					1
Vocational					49,386	49,386
Unemployment benefits					30,360	30,360
Unassigned	3,857,153					3,857,153
Total Fund Balances	4,440,800	844,415	0	0	674,948	5,960,163
resources and Fund Balances	\$ 4,474,009	844,415	166,632	135,720	800,811	6,421,587

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

(This page left blank intentionally)

PRENTISS 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 \$ 5,960,163

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	\$ 252,754	
Buildings	11,891,427	
Building improvements	580,564	
Improvements other than buildings	327,956	
Mobile equipment	1,535,380	
Furniture and equipment	661,258	
Leased property under capital leases	28,460	
Accumulated depreciation	<u>(6,505,806)</u>	8,771,993

2. 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	(29,648,498)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	7,421,338	
Deferred inflows of resources related to pensions	<u>(3,131,164)</u>	(25,358,324)

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

Limited obligation refunding bonds payable	(695,000)	
Three mill notes payable	(1,105,000)	
Obligations under capital lease	(18,109)	
Compensated absences payable	(184,680)	
Unamortized premiums	(13,024)	
Unamortized charges	40,173	
Accrued interest payable	<u>(8,693)</u>	(1,984,333)

Net Position of governmental activities	<u><u>\$ (12,610,501)</u></u>
--	-------------------------------

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2016

	Major Funds					
	General Fund	Child Nutrition Fund	Title I Grant Fund	21st Century Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 4,046,499	279,250			377,633	4,703,382
State sources	12,888,310	14,472			1,133,914	14,036,696
Federal sources	104,687	1,310,818	685,801	395,851	786,907	3,284,064
Total Revenues	17,039,496	1,604,540	685,801	395,851	2,298,454	22,024,142
Expenditures:						
Instruction	11,108,146		312,622	325,253	1,669,654	13,415,675
Support services	4,647,225	85,886	250,871	64,804	836,505	5,885,291
Noninstructional services	349,888	1,416,491	7,861		40	1,774,280
Debt service:						
Principal	7,034	2,340			515,000	524,374
Interest	259				68,550	68,809
Other					3,290	3,290
Total Expenditures	16,112,552	1,504,717	571,354	390,057	3,093,039	21,671,719
Excess (Deficiency) of Revenues over (under) Expenditures	926,944	99,823	114,447	5,794	(794,585)	352,423
Other Financing Sources (Uses):						
Sale of equipment	9,500					9,500
Inception of capital lease	12,454					12,454
Operating transfers in	67,281				754,787	822,068
Operating transfers out	(664,340)	(35,000)	(114,447)	(5,794)	(2,487)	(822,068)
Total Other Financing Sources (Uses)	(575,105)	(35,000)	(114,447)	(5,794)	752,300	21,954
Net Change in Fund Balances	351,839	64,823	0	0	(42,285)	374,377
Fund Balances:						
July 1, 2015, as previously reported	4,132,908	775,521	0	0	675,892	5,584,321
Prior period adjustments	(43,947)				41,341	(2,606)
July 1, 2015, as restated	4,088,961	775,521	0	0	717,233	5,581,715
Increase (Decrease) in reserve for inventory		4,071				4,071
June 30, 2016	\$ 4,440,800	844,415	0	0	674,948	5,960,163

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

(This page left blank intentionally)

PRENTISS 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 \$ 374,377

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	\$ 224,055	
Depreciation expense	<u>(369,264)</u>	(145,209)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(8,008)
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:		
Capital leases issued	(12,454)	
Payments of debt principal	524,374	
Accrued interest payable	<u>3,647</u>	515,567
4. Some items relating to pensions and 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 the governmental funds. These activities include:		
Pension expense - current year	(3,974,510)	
Deferred outflows - pensions - contributions made after the measurement date	<u>1,943,804</u>	(2,030,706)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(6,257)	
Change in inventory reserve	4,071	
Amortization of deferred charges, premiums and discounts	<u>(3,423)</u>	(5,609)
Change in Net Position of governmental activities		<u><u>\$ (1,299,588)</u></u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,046,595
Total Assets	<u>1,046,595</u>
Liabilities	
Accounts payable and accrued liabilities	957,232
Due to other funds	136
Due to student clubs	88,970
Other payables	257
Total Liabilities	<u>\$ 1,046,595</u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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.

PRENTISS COUNTY SCHOOL DISTRICT

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

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.

Child Nutrition Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Child Nutrition cluster of federal awards.

Title I Grant Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

21st Century Grant Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the 21st Century Community Learning Center grant award.

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

The school district also reports fiduciary funds which focus on net position. The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications

PRENTISS COUNTY SCHOOL DISTRICT

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

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

PRENTISS COUNTY SCHOOL DISTRICT

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

7. Deferred outflows/inflows of resources

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

Deferred outflows – Pension contributions
Deferred outflows – Deferred amounts on refunding

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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 8 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

PRENTISS COUNTY SCHOOL DISTRICT

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

11. Fund Balances

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

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents and 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.

PRENTISS COUNTY SCHOOL DISTRICT

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

(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.

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 \$4,921,215 and \$1,046,595, 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.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>
Hancock Bank Federal U.S. Treasury Reserve Money			
Market Funds	AAAm	Less than 1	\$ 82,533
			\$ 82,533

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

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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 Grant Fund	\$ 166,632
	21st Century Grant Fund	106,974
	Other Governmental Funds	120,577
	Fiduciary Funds	136
		<u>\$ 394,319</u>

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Also represented are interest earnings on fiduciary clearing funds (fiduciary funds) and other adjustments due to the general fund.

B. Inter-fund Transfers

Transfers out	Transfers in	Amount
General Fund	Other Governmental Funds	\$ 664,340
Child Nutrition Fund	General Fund	35,000
Title I Grant Fund	General Fund	24,000
	Other Governmental Funds	90,447
21st Century Grant Fund	General Fund	5,794
Other governmental funds	General Fund	2,487
		<u>\$ 822,068</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$82,533, of the MAEP Debt Retirement Fund (debt service fund) which is legally restricted and may not be used for purposes that support the district's programs. These assets are shown as investments on the governmental funds balance sheet.

PRENTISS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For 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	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,754				252,754
Total non-depreciable capital assets	252,754	-	-		252,754
<u>Depreciable capital assets:</u>					
Buildings	11,891,427				11,891,427
Building improvements	580,564				580,564
Improvements other than buildings	327,956				327,956
Mobile equipment	1,345,340	179,995	6,399	16,444	1,535,380
Furniture and equipment	659,114	24,960	22,816		661,258
Leased property under capital leases	31,897	19,100	14,700	(7,837)	28,460
	14,836,298	224,055	43,915	8,607	15,025,045
<u>Less accumulated depreciation for:</u>					
Buildings	4,307,262	221,710			4,528,972
Building improvements	230,566	23,222			253,788
Improvements other than buildings	90,243	13,118			103,361
Mobile equipment	930,501	88,685	5,759	2,716	1,016,143
Furniture and equipment	601,389	18,749	22,588		597,550
Leased property under capital leases	10,780	3,780	7,560	(1,008)	5,992
Total accumulated depreciation	6,170,741	369,264	35,907	1,708	6,505,806
Total depreciable capital assets, net	8,665,557	(145,209)	8,008	6,899	8,519,239
net	\$ 8,918,311	(145,209)	8,008	6,899	8,771,993

The adjustments were necessary to properly categorize assets and to adjust the value on previously expensed depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 4,932
Support services	350,797
Non-instructional	13,535
Total depreciation expense	\$ 369,264

Note 6 – Long-term Liabilities

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

PRENTISS COUNTY SCHOOL DISTRICT

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

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>	Amounts due <u>within one year</u>
A. Limited obligation refunding bonds	\$ 1,040,000		345,000	695,000	365,000
Add: premium	5,857		2,930	2,927	
B. Three mill notes payable	1,275,000		170,000	1,105,000	175,000
Add: premium	11,779	-	1,682	10,097	
C. Obligations under capital lease	15,029	12,454	9,374	18,109	4,831
D. Compensated absences payable	178,423	6,257	-	184,680	
	<u>\$ 2,526,088</u>	<u>18,711</u>	<u>528,986</u>	<u>2,015,813</u>	<u>544,831</u>

A. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding series 2007	4.00%	11-Sep-07	1-Apr-18	\$ 3,200,000	695,000
				<u>\$ 3,200,000</u>	<u>695,000</u>

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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	365,000	27,800	392,800
2018		330,000	13,200	343,200
	<u>\$</u>	<u>695,000</u>	<u>41,000</u>	<u>736,000</u>

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

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding, Series 2012	1.0-2.5%	20-Jun-12	30-Jun-22	\$ 1,640,000	1,105,000
				<u>\$ 1,640,000</u>	<u>1,105,000</u>

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

PRENTISS COUNTY SCHOOL DISTRICT

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 175,000	23,550	198,550
2018	180,000	20,050	200,050
2019	180,000	16,450	196,450
2020	185,000	12,850	197,850
2021	190,000	9,150	199,150
2022-2025	195,000	4,875	199,875
	<u>\$ 1,105,000</u>	<u>86,925</u>	<u>1,191,925</u>

The debt will be retired from the Note Retirement Fund – Fund 4021 (debt service fund.)

The three mill notes payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF"), created under Section 37-61-33, Miss. Code Ann. (1972). The amount of the annual pledge is \$73,354, which is 100% of such expected revenues. The amount of principal and interest payments for the year was \$196,950, with the difference between the total payments due and the pledge of EEF monies being derived from a property tax levy. The pledge will continue through June 30, 2022.

C. Obligations under capital lease

The school district has entered into two (2) capital leases described as follows:

Mower – Jumpertown – Acquisition cost of \$19,100 with a down payment of \$6,646.

Dishwasher – Jumpertown – Acquisition cost of \$15,218 with a down payment of \$4,000.

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

1. John Deere Mower leased dated June 27, 2016

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,491	127	2,618
2018	2,491	127	2,618
2019	2,491	127	2,618
2020	2,491	127	2,618
2021	2,490	127	2,617
	<u>\$ 12,454</u>	<u>635</u>	<u>13,089</u>

This debt will be retired from the General Fund.

2. Dishwasher lease dated January 7, 2015

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,340	-	2,340
2018	2,340	-	2,340
2019	975	-	975
	<u>\$ 5,655</u>	<u>-</u>	<u>5,655</u>

PRENTISS COUNTY SCHOOL DISTRICT

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

This debt will be retired from the Child Nutrition Fund.

The following is a schedule of total obligations under capital lease for all leases:

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	4,831	127	4,958
2018		4,831	127	4,958
2019		3,466	127	3,593
2020		2,491	127	2,618
2021		2,490	127	2,617
	\$	<u>18,109</u>	<u>635</u>	<u>18,744</u>

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

D. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years the Prentiss County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. One June 30, 2016, \$735,000 of bonds outstanding were defeased.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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 \$1,943,804, \$1,886,772 and \$1,815,490 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 \$29,648,498 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 0.1918 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.0028 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,974,510. 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	\$ 732,792	\$
Net difference between projected and actual earnings on pension plan investments		3,131,164
Changes of assumptions	1,867,526	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,877,216	
District contributions subsequent to the measurement date	1,943,804	
Total	\$ <u>7,421,338</u>	\$ <u>3,131,164</u>

\$1,943,804 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

PRENTISS COUNTY SCHOOL DISTRICT

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

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:	
2017	\$ 1,153,971
2018	1,070,701
2019	280,961
2020	<u>(159,263)</u>
	\$ <u>2,346,370</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.

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

PRENTISS COUNTY SCHOOL DISTRICT

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 39,079,436	\$ 29,648,498	\$ 21,822,582

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

Note 9– Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Reclassification of a prior year asset or liability	\$ (2,606)
2. Adjustment of original costs of certain assets and depreciation	6,899
Total	<u>\$ 4,293</u>

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

Fund	Explanation	Amount
General Fund	Reclassification of a prior year asset	\$ (43,947)
Other governmental funds	Reclassification of a prior year asset	41,341
Total		<u>\$ (2,606)</u>

The prior period adjustments are made as a result of prior period error corrections.

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 disallowances resulting from the grantor audit may become a liability of the school district.

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

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of

PRENTISS COUNTY SCHOOL DISTRICT

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

assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Alternative School Consortium

The school district entered into an Alternative School Consortium agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 27-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Booneville School District, Baldwin School District, and the Prentiss County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

Note 13 – Vocational School Consortium

The school district entered into a Vocational Education Agreement dated August 20, 1980, creating the Prentiss County Career and Technology Center. The consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Prentiss County School District and the Booneville 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 detailed procedures for student admission and transportation services for students attending the center.

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

Prentiss County Career and Technology Center
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Revenues

Local sources:

Tuition from other LEAs within the state	\$ 132,734
Other local revenue	<u>642,986</u>
Total local sources	775,720

State sources	525,454
Federal sources	<u>48,278</u>
Total Revenues	<u>1,349,452</u>

Expenditures

Salaries	1,102,637
Employee Benefits	253,925
Purchased property services	45,906
Supplies	2,206
Property	4,460
Other	<u>1,150</u>
Total Expenditures	<u>1,410,284</u>

Net Change in Fund Balance	<u>(60,832)</u>
----------------------------	-----------------

Fund Balance

July 1, 2015	<u>110,218</u>
June 30, 2016	<u>\$ 49,386</u>

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Prentiss County School District evaluated the activity of the district through December 23, 2016, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

PRENTISS 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	\$ 3,899,915	4,057,572	4,046,499	157,657	(11,073)
State sources	12,163,067	12,889,776	12,888,310	726,709	(1,466)
Federal sources	95,000	127,277	104,687	32,277	(22,590)
Total Revenues	16,157,982	17,074,625	17,039,496	916,643	(35,129)
Expenditures:					
Instruction	11,018,341	11,090,518	11,108,146	(72,177)	(17,628)
Support services	4,953,366	4,628,125	4,647,225	325,241	(19,100)
Noninstructional services	305,750	349,888	349,888	(44,138)	0
Debt service:					
Principal		4,039	7,034	(4,039)	(2,995)
Interest		400	259	(400)	141
Total Expenditures	16,277,457	16,072,970	16,112,552	204,487	(39,582)
Excess (Deficiency) of Revenues over (under) Expenditures	(119,475)	1,001,655	926,944	1,121,130	(74,711)
Other Financing Sources (Uses):					
Sale of equipment	0	0	9,500	0	9,500
Inception of capital leases	0	0	12,454	0	12,454
Operating transfers in	129,178	2,460,706	67,281	2,331,528	(2,393,425)
Operating transfers out	(96,703)	(3,100,003)	(664,340)	(3,003,300)	2,435,663
Total Other Financing Sources (Uses)	32,475	(639,297)	(575,105)	(671,772)	64,192
Net Change in Fund Balances	(87,000)	362,358	351,839	449,358	(10,519)
Fund Balances:					
July 1, 2015, as previously reported	3,369,618	4,097,780	4,132,908	728,162	35,128
Prior period adjustments	0	(1,711)	(43,947)	(1,711)	(42,236)
July 1, 2015, as restated	3,369,618	4,096,069	4,088,961	726,451	(7,108)
June 30, 2016	\$ 3,282,618	\$ 4,458,427	\$ 4,440,800	\$ 1,175,809	\$ (17,627)

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

PRENTISS COUNTY SCHOOL DISTRICT
Child Nutrition Fund
For the Year Ended June 30, 2016

			Variances			
			Positive (Negative)			
			Original	Final		
			Budgeted Amounts	Actual		
			Original	Final	(GAAP Basis)	
			Original	Final	Original	
			Original	Final	to Final	
			Original	Final	to Actual	
Revenues:						
Local sources	\$	382,878	283,952	279,250	(98,926)	(4,702)
State sources		0	14,472	14,472	14,472	0
Federal sources		1,048,000	1,310,818	1,310,818	262,818	0
Total Revenues		1,430,878	1,609,242	1,604,540	178,364	(4,702)
Expenditures:						
Support services		127,137	85,886	85,886	41,251	0
Noninstructional services		1,388,177	1,421,193	1,416,491	(33,016)	4,702
Debt service:						
Principal		0	2,340	2,340	(2,340)	0
Total Expenditures		1,515,314	1,509,419	1,504,717	5,895	4,702
Excess (Deficiency) of Revenues						
over (under) Expenditures		(84,436)	99,823	99,823	184,259	0
Other Financing Sources (Uses):						
Operating transfers out		(35,000)	(35,000)	(35,000)	0	0
Total Other Financing Sources (Uses)		(35,000)	(35,000)	(35,000)	0	0
Net Change in Fund Balances						
		(119,436)	64,823	64,823	184,259	0
Fund Balances:						
July 1, 2015		698,014	775,521	775,521	77,507	0
Increase (Decrease) in reserve for inventory		0	4,071	4,071	4,071	0
June 30, 2016	\$	578,578	844,415	844,415	265,837	0

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Grant Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Federal sources	\$ 655,547	685,801	685,801	30,254	0
Total Revenues	655,547	685,801	685,801	30,254	0
Expenditures:					
Instruction	111,880	312,622	312,622	(200,742)	0
Support services	420,401	250,871	250,871	169,530	0
Noninstructional services	5,870	7,861	7,861	(1,991)	0
Total Expenditures	538,151	571,354	571,354	(33,203)	0
Excess (Deficiency) of Revenues over (under) Expenditures	117,396	114,447	114,447	(2,949)	0
Other Financing Sources (Uses):					
Operating transfers out	(117,396)	(114,447)	(114,447)	2,949	0
Total Other Financing Sources (Uses)	(117,396)	(114,447)	(114,447)	2,949	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2015	0	0	0	0	0
June 30, 2016	\$ 0	0	0	0	0

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
21st Century Grant 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	\$ 459,760	412,487	395,851	(47,273)	(16,636)
Total Revenues	459,760	412,487	395,851	(47,273)	(16,636)
Expenditures:					
Instruction	416,415	349,572	325,253	66,843	24,319
Support services	37,787	57,121	64,804	(19,334)	(7,683)
Total Expenditures	454,202	406,693	390,057	47,509	16,636
Excess (Deficiency) of Revenues over (under) Expenditures	5,558	5,794	5,794	236	0
Other Financing Sources (Uses):					
Operating transfers out	(5,558)	(5,794)	(5,794)	(236)	0
Total Other Financing Sources (Uses)	(5,558)	(5,794)	(5,794)	(236)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2015	0	0	0	0	0
June 30, 2016	\$ 0	0	0	0	0

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

(This page left blank intentionally)

PRETISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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)	0.1918%	0.1890%
District's proportionate share of the net pension liability (asset)	\$ 29,648,498	22,941,139
District's covered-employee payroll	11,979,505	11,526,921
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.49%	199.02%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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.

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,943,804	1,886,772								
Contributions in relation to the contractually required contribution	1,943,804	1,886,772								
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	12,341,613	11,979,505								
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 page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

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

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

PRENTISS 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	\$ 380,530
National school lunch program	10.555	930,288
Total child nutrition cluster		1,310,818
Total passed-through Mississippi Department of Education		1,310,818
Total U.S. Department of Agriculture		1,310,818
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	60,000
Total Federal Communications Commission		60,000
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	685,801
Career and technical education - basic grants to states	84.048	48,278
Twenty-first century community learning centers	84.287	395,851
Rural education	84.358	42,073
Improving teacher quality-State Grants	84.367	131,166
Subtotal		1,303,169
Special education cluster:		
Special education - grants to states	84.027	523,657
Special education - preschool grants	84.173	43,198
Total special education cluster		566,855
Total passed-through Mississippi Department of Education		1,870,024
Total U.S. Department of Education		1,870,024
Total for All Federal Awards		\$ 3,240,842

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.

(This page left blank intentionally)

PRENTISS 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	\$ 16,857,669	13,682,822	643,396	876,823	1,654,628
Other	4,814,050	1,300,455	163,683	17,993	3,331,919
Total	<u>\$ 21,671,719</u>	<u>14,983,277</u>	<u>807,079</u>	<u>894,816</u>	<u>4,986,547</u>
Total number of students *	<u>2,333</u>				
Cost per student	<u>\$ 9,289</u>	<u>6,422</u>	<u>346</u>	<u>384</u>	<u>2,137</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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

PRENTISS 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	\$ 4,046,499	3,878,169	3,844,382	3,853,431
State sources	12,888,310	11,833,995	11,252,122	11,091,655
Federal sources	104,687	153,480	131,678	191,442
Total Revenues	17,039,496	15,865,644	15,228,182	15,136,528
Expenditures:				
Instruction	11,108,146	10,854,230	10,618,690	10,092,567
Support services	4,647,225	4,528,097	4,443,313	4,110,147
Noninstructional services	349,888	306,790	349,624	315,091
Debt service:				
Principal	7,034	10,108	38,211	69,766
Interest	259	545	429	3,035
Total Expenditures	16,112,552	15,699,770	15,450,267	14,590,606
Excess (Deficiency) of Revenues over (under) Expenditures	926,944	165,874	(222,085)	545,922
Other Financing Sources (Uses):				
Proceeds of loans				15,420
Inception of capital leases	12,454	7,837		
Insurance loss recoveries		16,379	16,150	
Sale of transportation equipment		500	10,881	
Sale of equipment	9,500			
Operating transfers in	67,281	35,620	35,500	46,078
Operating transfers out	(664,340)	(4,540)	(28,567)	(12,372)
Total Other Financing Sources (Uses)	(575,105)	55,796	33,964	49,126
Net Change in Fund Balances	351,839	221,670	(188,121)	595,048
Fund Balances:				
Beginning of period, as previously reported	4,132,908	3,909,268	4,100,937	3,505,889
Prior period adjustments	(43,947)	1,970	(3,548)	
Beginning of period, as restated	4,088,961	3,911,238	4,097,389	3,505,889
End of Period	\$ 4,440,800	4,132,908	3,909,268	4,100,937

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

PRENTISS 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	\$ 4,703,382	4,539,048	4,474,201	4,581,685
State sources	14,036,696	13,624,572	13,052,542	12,774,567
Federal sources	3,284,064	3,450,434	3,222,715	3,012,696
Total Revenues	22,024,142	21,614,054	20,749,458	20,368,948
Expenditures:				
Instruction	13,415,675	13,151,366	12,926,946	12,095,433
Support services	5,885,291	5,962,632	5,408,655	4,933,708
Noninstructional services	1,774,280	1,668,378	1,720,179	1,659,829
Facilities acquisition and construction				140,650
Debt service:				
Principal	524,374	605,778	610,923	626,339
Interest	68,809	89,339	105,389	127,633
Other	3,290	2,040	3,190	2,440
Total Expenditures	21,671,719	21,479,533	20,775,282	19,586,032
Excess (Deficiency) of Revenues over (under) Expenditures	352,423	134,521	(25,824)	782,916
Other Financing Sources (Uses):				
Proceeds of loans				15,420
Inception of capital leases	12,454	17,197		
Insurance loss recoveries		16,379	16,150	
Sale of transportation equipment		500	10,881	
Sale of equipment	9,500			
Operating transfers in	822,068	144,998	64,067	58,450
Operating transfers out	(822,068)	(144,998)	(64,067)	(58,450)
Total Other Financing Sources (Uses)	21,954	34,076	27,031	15,420
Net Change in Fund Balances	374,377	168,597	1,207	798,336
Fund Balances:				
Beginning of period, as previously reported	5,584,321	5,417,952	5,413,992	4,616,843
Prior period adjustments	(2,606)	1,970	(2,988)	
Beginning of period, as restated	5,581,715	5,419,922	5,411,004	4,616,843
Increase (Decrease) in reserve for inventory	4,071	(4,198)	5,741	(1,187)
End of Period	\$ 5,960,163	5,584,321	5,417,952	5,413,992

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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
Prentiss 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 Prentiss County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated December 23, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prentiss County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-571

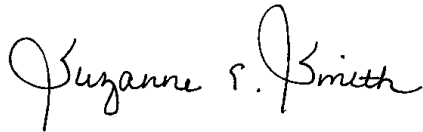
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, 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*.

District's Response to Findings

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

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
December 23, 2016

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Superintendent and School Board
Prentiss County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with 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 Prentiss 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 (CFR) 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 Prentiss County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-002 and Finding 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

Report on Internal Control Over Compliance

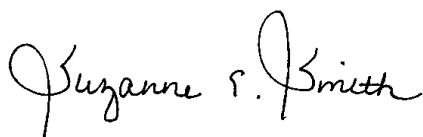
Management of Prentiss County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prentiss County School District's internal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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-002 and Finding 2016-003, that we consider to be significant deficiencies.

Prentiss County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee Corrective Action Plan. Prentiss County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
December 23, 2016

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

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2016, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated December 23, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

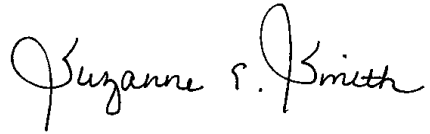
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations:

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped initial 'S'.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
December 23, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 84.027/84.173 | Special Education Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | No |

Section II: Financial Statement Findings

Significant Deficiencies not considered to be Material Weaknesses

Repeat Finding 2016-001. Control Deficiencies surrounding student activity fund receipts/deposits/revenues and activity fund expenditures.

Criteria: The school district is charged with the responsibility of designing and implementing an effective system of internal control that will prevent asset misappropriation and that will protect the integrity of the district's financial information. The area of student activity fund receipts is an especially vulnerable area because of the amount of cash and coins handled at locations remote to the central administrative offices. Student activity fund expenditures also present higher risks of misappropriation and financial statement error and misstatement because the receipt of the goods and/or services occurs in remote locations and the actual disbursements for such goods and/or services occur in remote locations at each school site. The need for solid controls in both areas is important to prevent the misappropriation of district assets and to protect the integrity of the district's financial information.

Condition: Our control testing of student activity fund receipts/deposits/revenues revealed nine (9) instances where deposits of revenue were not made on a timely basis. Our test sample included thirty-five (35) receipts chosen using a non-statistical approach. A timely deposit is considered a deposit made the same day as the receipt warrant is written but no later than the business day subsequent to the day the receipt warrant is written. Many receipts in the area of student activity funds are made up of cash and coin deposits. A delay between receipting the money and making a bank deposit provides opportunity for the receipt to be misappropriated or converted to personal use. Such delays in making deposits constitute a control deficiency. Our control testing further revealed ten (10) instances out of the sample of thirty-five (35) receipts where student activity fund revenues were coded in error to other local sources. All receipts generated from student activities should be recorded in accordance with the accounting codes established by the Mississippi Department of Education. An audit adjustment was proposed and accepted by the district to correctly state these revenues.

Our control testing of forty-two (42) student activity fund expenditures revealed nine (9) instances where no receiving documentation existed to document the actual receipt of goods and/or services prior to payment for the goods and/or services being made; seven (7) instances of incorrect coding; ten (10) instances where the purchase order was dated after the date of the invoice; and one (1) instance where an invoice was not available to substantiate the purchase made. The sample was chosen using a non-statistical approach.

Effect: Controls surrounding student activity fund transactions are not functioning to bring control risk to a low level in order to prevent asset misappropriation and financial statement errors.

Questioned Costs: None

Cause: The cause is likely a deviation from district procedures designed to safeguard assets and financial information in the area of student activity fund transactions.

Recommendation: We recommend that the district review its procedures in the area of student activity fund transactions, including internal controls, and refine and reinforce the procedures through training and transaction review.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies not considered to be Material Weaknesses

Finding 2016-002. Special Education Cluster. CFDA # 84.027 and 84.173. Activities Allowed/Unallowed.

Criteria: The school district should have in place a system of budgetary control over the allowability of goods and/or services paid from Special Education cluster awards. Such a system should allow for the timely and correct determination of grant carryforward amounts from prior periods and should establish a budgetary control over the various expenditure categories allowed in each grant.

Condition: Of the twenty-one (21) categories shown in the original Special Education Cluster approved project application for the 2015-2016 year, nine (9) were over-expended for the year ended June 30, 2016. While none of our testing revealed unallowed expenditures that were material to the cluster of awards as a whole, categories were over-expended. Adjusting journal entries were necessary to correctly state expenditures in the proper categories within the grant. These journal entries were proposed as part of the audit adjustments and accepted and posted by the district. The journal entries did not, however, reduce the amount of unfavorable variances in the expenditure categories. Carryover amounts on the original project application were not correctly determined, resulting in the amounts shown and budgeted for carryover being understated by \$16,167.54.

Effect: The effect is a lack of budgetary control over the Special Education Cluster of awards, resulting in overspending between the various categories and improper coding. The amounts available for expenditure, including carryover amounts, were under-budgeted by \$16,167.54.

Questioned Costs: None

Cause: This cause is not fully known. The director of the program was new to the directorship position and was unfamiliar with the budgeting concepts. As a result, requisitions were manually prepared and not entered into the accounting software for this grant. This prevented the funds from being encumbered and restricted to budgeted amounts per category.

Recommendation: We recommend that the district properly determine carryover amounts that will be moved into subsequent fiscal years from unexpended grant awards. We further recommend that the district begin using the budgeting software for this grant, thereby enabling the software to encumber funds and to limit encumbrances to budgeted amounts available. We further recommend that the district review all account codes with grant officials to ensure that proper accounting codes are being used on all expenditures.

Finding 2016-003. Special Education Cluster. CFDA #84.027 and 84.173. Reporting.

Criteria: The school district is required to submit an annual expenditure report to the Mississippi Department of Education. The report was due September 30, 2016, following the June 30, 2016, year end. The report is to be prepared from district accounting records and is to be an accurate representation of district expenditures for the year ended.

Condition: The report was prepared December 13, 2016, almost three months late. We reviewed the prepared report and found thirteen (13) line items that did not agree with the underlying accounting records. The program director corrected the report before submitting the report to the Mississippi Department of Education.

Effect: The effect is a lack of internal controls over required reporting. The report was not prepared correctly and was not submitted on a timely basis.

Questioned Costs: None

Cause: The cause is not fully known. The director of the program was new to the directorship and was unfamiliar with reporting requirements.

Recommendation: We recommend that the district prepare reports using correct underlying financial records. We further recommend that a member of the business department staff assist in reviewing the report before submission to the Mississippi Department of Education. All reports should be prepared in a timely manner.

(This page left blank intentionally)

AUDITEE CORRECTIVE ACTION PLAN

(This page left blank intentionally)

Prentiss County School District

PRENTISS COUNTY

Auditee Responses For the Year Ended June 30, 2016

Finding 2016-001. Control Deficiencies surrounding student activity fund receipts/ deposits/ revenues and activity fund expenditures.

Corrective Action Plan Details: Prentiss County School District addressed the named deficiencies in controls surrounding student activity funds during the annual in-service training. The district stressed the importance of daily deposits and proper coding of these receipts. Each bookkeeper, at the local level, was given updated coding information that included function codes along with the description and/or example. Also during the annual in-service training, the district discussed proper purchasing procedures including proper signatures, coding and documentation required for payment. The district will review a sample randomly to ensure that all policies and procedures are being implemented.

Who is Responsible for implementation: Book keepers, Administrators

When Implementation will begin: August 1, 2016

Finding 2016-002. Special Education Cluster. CFDA # 84.027 and 84.173. Activities Allowed/Unallowed.

Corrective Action Plan Details: Prentiss County School District's Special Education department will begin implementing the use of the district's accounting software. Upon approval from Mississippi Department of Finance, the Business Administrator will enter the approved budget into the accounting software. The Special Education Department will use the software for all requisitions and purchase orders, allowing the system to encumber all budgeted line items. Monthly, the Special Education Director will review the expenditure budgets to ensure that all line items are within the budgeted amount. The department will adhere to the financial accounting manual for Mississippi school districts for coding. By August 31st, the Special Education Director and Business Administrator will collaborate and determine a carryover amount for the grants.

Who is Responsible for implementation: Special Education Director

When Implementation will begin: January 16, 2017

Finding 2016-003. Special Education Cluster. CFDA #84.027 and 84.173. Reporting

Corrective Action Plan Details: The Special Education Director will review the accounting software's expenditure report for the month ending June 30th. Upon review, the Special Education Director will determine if any adjustments to the reports need to be made. By September 15th, the Special Education Director will give any necessary adjustments to the Business Administrator to enter into the accounting system. Once adjustments are made, the Sped Director will use the accounting software's expenditure report totals for the report issued to Mississippi Department of Education. The Special Education Director will submit the annual expenditure budget report to Mississippi Department of Education by the required September 30th deadline.

Who is Responsible for Implementation: Special Education Director

When Implementation will begin: January 16, 2017

P.O. Box 179 - 105 North College • BOONEVILLE, MISSISSIPPI 38829
Phone (662) 728-4911 • Fax (662) 728-2000

(This page left blank intentionally)