



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.



QUITMAN SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2016

QUITMAN SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	20
Exhibit F – Statement of Changes in Fiduciary in Net Position	21
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	40
Budgetary Comparison Schedule – General Fund	41
Budgetary Comparison Schedule – Extended School Year Fund	42
Schedule of the District's Proportionate Share of the Net Pension Liability	43
Schedule of the District Contributions	44
Notes to the Required Supplementary Information	45
SUPPLEMENTAL INFORMATION	46
Schedule of Expenditures of Federal Awards	47
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	48
OTHER INFORMATION	49
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	50
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	51
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	52
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 <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS	62

INDEPENDENT AUDITOR'S REPORT



## McKENZIE CPA, PLLC

521 Chuck Wagon Drive  
Brandon, MS 39042  
(Phone) 601-670-5282 (Email) [barrymckenzie@mckenziecpapllc.com](mailto:barrymckenzie@mckenziecpapllc.com)

### INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

#### ***Opinion***

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

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 40-45 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 Quitman 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 January 31, 2017, on our consideration of the Quitman 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 Quitman School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
January 31, 2017

*McKenzie CPA, PLLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS



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

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

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2016 increased \$167,433, including a prior period adjustment of (\$6,039), which represents a 237% increase from fiscal year 2015. Total net position for 2015 decreased \$19,145,852, including a prior period adjustment of (\$20,116,033) due primarily to the recording of the net pension liability, which represents a 100% decrease from fiscal year 2014.
- General revenues amounted to \$15,682,383 and \$15,286,290, or 79% and 76% 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 \$4,261,600, or 21% of total revenues for 2016, and \$4,780,594, or 24% of total revenues for 2015.
- The District had \$19,770,511 and \$19,096,703 in expenses for fiscal years 2016 and 2015; only \$4,261,600 for 2016 and \$4,780,594 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,682,383 for 2016 and \$15,286,290 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,767,335 in revenues and \$13,687,565 in expenditures for 2016, and \$13,816,409 in revenues and \$14,056,068 in expenditures in 2015. The General Fund's fund balance increased by \$367,479 from 2015 to 2016, including a prior period adjustment of (\$77,880), and increased by \$1,751,387 from 2014 to 2015, including a fund reclassification of \$2,760,817.
- Capital assets, net of accumulated depreciation, decreased by \$426,992 for 2016 and increased by \$1,310,715 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$293,203 for 2016 and increased by \$1,205,000 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$16,797 for 2016 and increased by \$1,492 for 2015.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The Statement of Net Position presents information on all the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position."

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

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

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

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

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

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

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

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$96,724 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.

QUITMAN 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	\$ 5,598,482	\$ 5,496,457	1.86 %
Restricted assets	6,934,846	5,852,189	18.50 %
Capital assets, net	13,760,307	14,187,299	(3.01) %
<b>Total assets</b>	<b>26,293,635</b>	<b>25,535,945</b>	<b>2.97 %</b>
 <b>Deferred outflows of resources</b>	 <b>6,499,919</b>	 <b>2,232,258</b>	 <b>191.18 %</b>
Current liabilities	140,678	295,634	(52.41) %
Long-term debt outstanding	5,200,146	5,493,349	(5.34) %
Net pension liability	25,262,282	19,258,297	31.18 %
<b>Total liabilities</b>	<b>30,603,106</b>	<b>25,047,280</b>	<b>22.18 %</b>
 <b>Deferred inflows of resources</b>	 <b>2,093,724</b>	 <b>2,791,632</b>	 <b>(25.00) %</b>
 <b>Net position:</b>			
Net investment in capital assets	8,791,678	8,915,774	(1.39) %
Restricted	7,629,363	6,689,681	14.05 %
Unrestricted	(16,324,317)	(15,676,164)	(4.13) %
<b>Total net position</b>	<b>\$ 96,724</b>	<b>\$ (70,709)</b>	<b>236.79 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position	\$ (16,324,317)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	20,932,458
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,608,141</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 \$426,992.
- The principal retirement of \$310,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$25,262,282.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$19,943,983 and \$20,066,884, respectively. The total cost of all programs and services was \$19,770,511 for 2016 and \$19,096,703 for 2015.

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

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

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 391,653	\$ 551,801	(29.02) %
Operating grants and contributions	3,869,947	3,867,744	0.06 %
Capital grants and contributions	-	361,049	(100.00) %
General revenues:			
Property taxes	5,237,842	4,683,700	11.83 %
Grants and contributions not restricted	8,654,749	8,458,582	2.32 %
Investment earnings	134,429	88,925	51.17 %
Sixteenth section sources	1,205,137	2,022,690	(40.42) %
Other	450,226	32,393	1,289.89 %
<b>Total revenues</b>	<b>19,943,983</b>	<b>20,066,884</b>	<b>(0.61) %</b>
<b>Expenses:</b>			
Instruction	9,085,921	9,719,443	(6.52) %
Support services	6,503,601	6,261,643	3.86 %
Non-instructional	1,221,935	1,279,761	(4.52) %
Sixteenth section	124,551	100,424	24.03 %
Pension expense	2,657,606	1,391,375	91.01 %
Interest on long-term liabilities	176,897	344,057	(48.58) %
<b>Total expenses</b>	<b>19,770,511</b>	<b>19,096,703</b>	<b>3.53 %</b>
<b>Increase (Decrease) in net position</b>	<b>173,472</b>	<b>970,181</b>	<b>(82.12) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(70,709)</b>	<b>19,075,143</b>	<b>(100.37) %</b>
<b>Prior Period Adjustment</b>	<b>(6,039)</b>	<b>(20,116,033)</b>	<b>99.97 %</b>
<b>Net Position, July 1, as restated</b>	<b>(76,748)</b>	<b>(1,040,890)</b>	<b>92.63 %</b>
<b>Net Position, June 30</b>	<b>\$ 96,724</b>	<b>\$ (70,709)</b>	<b>236.79 %</b>

### Governmental activities

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

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ 9,085,921	\$ 9,719,443	(6.52) %
Support services	6,503,601	6,261,643	3.86 %
Non-instructional	1,221,935	1,279,761	(4.52) %
Sixteenth section	124,551	100,424	24.03 %
Pension Expense	2,657,606	1,391,375	91.01 %
Interest on long-term liabilities	176,897	344,057	(48.58) %
<b>Total expenses</b>	<b>\$ 19,770,511</b>	<b>\$ 19,096,703</b>	<b>3.53 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ (6,849,631)	\$ (6,974,332)	(1.79) %
Support services	(5,796,436)	(5,610,064)	3.32 %
Non-instructional	21,145	62,740	(66.30) %
Sixteenth section	(49,486)	(59,021)	(16.16) %
Pension Expense	(2,657,606)	(1,391,375)	91.01 %
Interest on long-term liabilities	(176,897)	(344,057)	(48.58) %
<b>Total net (expense) revenue</b>	<b>\$ (15,508,911)</b>	<b>\$ (14,316,109)</b>	<b>8.33 %</b>

- Net cost of governmental activities (\$15,508,911 for 2016 and \$14,316,109 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$5,237,842 for 2016 and \$4,683,700 for 2015) and state and federal revenues (\$8,654,749 for 2016 and \$8,458,582 for 2015). In addition, there was \$1,205,137 and \$2,022,690 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$134,429 for 2016 and \$88,925 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 \$12,479,710, an increase of \$1,338,590, which includes a prior period adjustment of (\$1,238) and an increase in inventory of \$281. \$2,229,481, or 18% 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 \$10,250,229, or 82% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

QUITMAN 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 \$367,479, which includes a prior period adjustment of (\$77,880). The fund balance of Other Governmental Funds showed an increase in the amount of \$241,641, which includes a prior period adjustment of \$76,642. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Extended School Year Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 729,470

## BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds 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 \$27,794,625, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$179,352 from 2015 due primarily to the purchase of three new school buses and various items of furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$14,034,318, and total depreciation expense for the year was \$701,255, resulting in total net capital assets of \$13,760,307.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 174,918	\$ 174,918	0.00 %
Contruction in progress	-	4,800	(100.00) %
Buildings	6,628,642	6,817,105	(2.76) %
Building improvements	4,392,764	4,601,741	(4.54) %
Improvements other than buildings	1,149,279	1,219,798	(5.78) %
Mobile equipment	1,145,472	1,030,120	11.20 %
Furniture and equipment	269,232	338,817	(20.54) %
<b>Total</b>	<b>\$ 13,760,307</b>	<b>\$ 14,187,299</b>	<b>(3.01) %</b>

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

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

**Debt Administration.** At June 30, 2016, the District had \$5,200,146 in outstanding long-term debt, of which \$307,757 is due within one year. During the fiscal year, the District made principal payments totaling \$310,000 on outstanding long-term debt. The liability for compensated absences increased \$16,797 from the prior year.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited tax refunding notes	\$ 2,360,000	\$ 2,590,000	(8.88) %
General obligation certificate of participation	1,185,000	1,265,000	(6.32) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	155,146	138,349	12.14 %
<b>Total</b>	<b><u>\$ 5,200,146</u></b>	<b><u>\$ 5,493,349</u></b>	<b>(5.34) %</b>

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

## **CURRENT ISSUES**

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

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

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

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman School District, 104 East Franklin Street, Quitman, MS 39355.



## FINANCIAL STATEMENTS

**QUITMAN SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,428,122
Investments	565,962
Due from other governments	484,770
Other receivables, net	1,677
Inventories	23,186
Prepaid items	94,765
Restricted assets	6,934,846
Capital assets, non-depreciable:	
Land	174,918
Capital assets, net of accumulated depreciation:	
Buildings	6,628,642
Building improvements	4,392,764
Improvements other than buildings	1,149,279
Mobile equipment	1,145,472
Furniture and equipment	269,232
Total Assets	<u>26,293,635</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	76,371
Deferred outflow related to pensions	6,423,548
Total Deferred Outflows of Resources	<u>6,499,919</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	51,301
Unearned revenue	2,317
Interest payable on long-term liabilities	87,060
Long-term liabilities, due within one year:	
Capital related liabilities	300,000
Non-capital related liabilities	7,757
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,745,000
Non-capital related liabilities	147,389
Net pension liability	25,262,282
Total Liabilities	<u>30,603,106</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	2,093,724
Total Deferred Inflows of Resources	<u>2,093,724</u>
<b>Net Position</b>	
Net investment in capital assets	8,791,678
Restricted for:	
Expendable:	
School-based activities	508,492
Debt service	389,840
Forestry improvements	131,853
Unemployment benefits	37,808
Non-expendable:	
Sixteenth section	6,561,370
Unrestricted	(16,324,317)
Total Net Position (deficit)	<u>\$ 96,724</u>

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

# QUITMAN SCHOOL DISTRICT

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

## Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 9,085,921	\$ 205,995	\$ 2,030,295	\$ -	\$ (6,849,631)
Support services	6,503,601	-	707,165	-	(5,796,436)
Non-instructional	1,221,935	110,593	1,132,487	-	21,145
Sixteenth section	124,551	75,065	-	-	(49,486)
Pension expense	2,657,606	-	-	-	(2,657,606)
Interest on long-term liabilities	176,897	-	-	-	(176,897)
Total Governmental Activities	<u>\$ 19,770,511</u>	<u>\$ 391,653</u>	<u>\$ 3,869,947</u>	<u>\$ -</u>	<u>\$ (15,508,911)</u>

### General Revenues:

#### Taxes:

    General purpose levies 5,038,358

    Debt purpose levies 199,484

#### Unrestricted grants and contributions:

    State 8,555,934

    Federal 98,815

Unrestricted investment earnings 134,429

Sixteenth section sources 1,205,137

Other 450,226

    Total General Revenues 15,682,383

Change in Net Position 173,472

Net Position - Beginning, as previously reported (70,709)

    Prior Period Adjustments (6,039)

Net Position - Beginning, as restated (76,748)

Net Position (deficit) - Ending \$ 96,724

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

**QUITMAN SCHOOL DISTRICT**  
**Governmental Funds**

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

**Exhibit C**

	Major Funds			Other	Total
	General	Extended	Sixteenth Section	Governmental	Governmental
	Fund	School Year	Principal	Funds	Funds
		Fund	Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 4,061,492	\$	\$ 4,919,808	\$ 366,630	\$ 9,347,930
Cash with fiscal agents				369,562	369,562
Investments	565,962		1,645,476	-	2,211,438
Due from other governments	169,541	7,920		306,779	484,240
Other receivables, net	1,613			64	1,677
Due from other funds	530			2,739	3,269
Inventories				23,186	23,186
Prepaid items	94,765			-	94,765
Total assets	\$ 4,893,903	\$ 7,920	\$ 6,565,284	\$ 1,068,960	\$ 12,536,067
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 34,709	\$ 7,920	\$	\$ 8,672	\$ 51,301
Due to other funds	1,142		1,597	-	2,739
Unavailable revenue			2,317	-	2,317
Total Liabilities	35,851	7,920	3,914	8,672	56,357
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				23,186	23,186
Permanent fund principal			6,561,370	-	6,561,370
Prepaid items	94,765			-	94,765
<b>Restricted:</b>					
Debt service	-			476,900	476,900
Forestry improvement purposes				131,853	131,853
Unemployment benefits				37,808	37,808
Grant Activities				390,541	390,541
<b>Assigned:</b>					
Capital improvements	2,446,553			-	2,446,553
Activity Funds	87,253			-	87,253
<b>Unassigned</b>	2,229,481			-	2,229,481
Total Fund Balances	4,858,052	-	6,561,370	1,060,288	12,479,710
Total Liabilities and Fund Balances	\$ 4,893,903	\$ 7,920	\$ 6,565,284	\$ 1,068,960	\$ 12,536,067

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

**QUITMAN SCHOOL DISTRICT****Governmental Funds****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016****Exhibit C-1**

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>12,479,710</b>
---	-----------	-------------------

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	\$	174,918	
Buildings		11,936,996	
Building improvements		8,561,195	
Improvements other than buildings		1,840,230	
Mobile equipment		3,529,135	
Furniture and equipment		1,752,151	
Accumulated depreciation		<u>(14,034,318)</u>	13,760,307

2. Deferred outflows of resources related to advance refunding are applicable to future periods and, therefore, are not reported in the funds:

Deferred charges on refunding			76,371
-------------------------------	--	--	--------

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

Net pension liability			(25,262,282)
-----------------------	--	--	--------------

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

Deferred outflows of resources related to pensions		6,423,548	
Deferred inflows of resources related to pensions		<u>(2,093,724)</u>	4,329,824

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

General obligation bonds		(2,360,000)	
Certificates of participation		(1,185,000)	
Other bonds payable		(1,500,000)	
Compensated absences		(155,146)	
Accrued interest payable		<u>(87,060)</u>	(5,287,206)

<b>Net Position of governmental activities</b>	<b>\$</b>	<b><u>96,724</u></b>
--	-----------	----------------------

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

**QUITMAN SCHOOL DISTRICT**  
**Governmental Funds**

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

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	Extended School Year Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 5,615,911	\$	\$ 69,617	\$ 425,116	\$ 6,110,644
State sources	8,577,455	8,460		534,249	9,120,164
Federal sources	58,440			3,346,092	3,404,532
Sixteenth section sources	515,529		698,075	88,586	1,302,190
Total Revenues	14,767,335	8,460	767,692	4,394,043	19,937,530
<b>Expenditures:</b>					
Instruction	7,841,403	8,460		2,177,288	10,027,151
Support services	5,801,578			947,963	6,749,541
Noninstructional services				1,222,351	1,222,351
Sixteenth section	44,584		22,156	57,811	124,551
Debt service:					
Principal				310,000	310,000
Interest				165,605	165,605
Other				5,237	5,237
Total Expenditures	13,687,565	8,460	22,156	4,886,255	18,604,436
Excess (Deficiency) of Revenues over (under) Expenditures	1,079,770	-	745,536	(492,212)	1,333,094
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	6,453			-	6,453
Payments held by escrow agent				71,000	71,000
Payment to QSCB debt escrow agent				(71,000)	(71,000)
Operating transfers in	82,622			723,486	806,108
Operating transfers out	(723,486)		(16,066)	(66,556)	(806,108)
Total Other Financing Sources (Uses)	(634,411)	-	(16,066)	656,930	6,453
Net Change in Fund Balances	445,359	-	729,470	164,718	1,339,547
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	4,490,573		5,831,900	818,647	11,141,120
Prior period adjustments	(77,880)			76,642	(1,238)
July 1, 2015, as restated	4,412,693	-	5,831,900	895,289	11,139,882
Increase (Decrease) in inventory				281	281
June 30, 2016	\$ 4,858,052	\$ -	\$ 6,561,370	\$ 1,060,288	\$ 12,479,710

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

**QUITMAN SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 1,339,547

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	\$ 287,129	
	Depreciation expense	<u>(701,255)</u>	(414,126)
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.		(8,066)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	310,000	
	Accrued interest payable	<u>1,049</u>	311,049
4.	Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
	Recording of pension expense for the current period	(2,657,606)	
	Recording of contributions made subsequent to the measurement date	<u>1,626,294</u>	(1,031,312)
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	(16,797)	
	Change in inventory	281	
	Amortization of deferred charges	<u>(7,104)</u>	(23,620)
<b>Change in Net Position of governmental activities</b>			<u><u>\$ 173,472</u></u>

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

**QUITMAN SCHOOL DISTRICT**  
**Fiduciary Funds**

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

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 6,567	\$ 608,389
Total Assets	<u>6,567</u>	<u><u>\$ 608,389</u></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 576,415
Due to other funds		530
Due to student clubs		31,444
Total Liabilities	<u>-</u>	<u><u>\$ 608,389</u></u>
<b>Net Position</b>		
Reserved for endowments	6,567	
Held in trust		
Total Net Position	<u><u>\$ 6,567</u></u>	

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



**QUITMAN SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Contributions and donations from private sources	\$ 6,510
Total Additions	<u>6,510</u>
<b>Deductions</b>	
Scholarships awarded	<u>7,003</u>
Total Deductions	<u>7,003</u>
Change in Net Position	<u>(493)</u>
<b>Net Position</b>	
July 1, 2015,	<u>7,060</u>
June 30, 2016	<u><u>\$ 6,567</u></u>

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

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

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

QUITMAN SCHOOL DISTRICT  
Notes to the Financial Statements  
For the 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.

Extended School Year Fund - This fund accounts for the state revenues that are received and the expenditures associated with an extended period beyond the normal school year.

Sixteenth Section Principal Fund - This fund is used to account for the local revenues and interest revenues received on the non-spendable Sixteenth Section Principal funds.

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 assets and liabilities only. The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**D. Encumbrances**

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

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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

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

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

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

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

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

time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

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

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

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



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

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 \$9,347,930 and \$614,956, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$11,322,703 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$369,562.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
FEDL NATL MTG ASSN POOL #AM2712	Unrated	3/1/2018	\$ 146,306
FEDL NATL MTG ASSN POOL #AM0081	Unrated	7/1/2019	\$ 98,672
FEDL NATL MTG ASSN POOL #AM1630	Unrated	12/1/2019	\$ 96,716
FEDL NATL MTG ASSN POOL #AN0494	Unrated	7/1/2020	\$ 51,819
FEDL NATL MTG ASSN POOL #AL7084	Unrated	8/1/2020	\$ 176,323
FEDL HOME LN MTG ASSN POOL #J21988	Unrated	1/1/2023	\$ 75,778
FEDL NATL MTG ASSN POOL #MA2080	Unrated	11/1/2024	\$ 37,753
FEDL HOME LN MTG CRP SER 4276 CL VH	Unrated	4/15/2025	\$ 38,092
FEDL NATL MTG ASSN POOL #MA2391	Unrated	9/1/2025	\$ 91,043
FEDL NATL MTG ASSN SER 2012-97 CL KL	Unrated	8/25/2032	\$ 71,536
WELLS FARGO CO MTN BE	A2	4/22/2019	\$ 102,153
GENERAL ELECTRIC CAP CORP BE MTN	Aa3	12/11/2019	\$ 103,166
JPMORGAN CHASE & CO NOTE	A3	1/23/2020	\$ 101,375
MISSISSIPPI DEV BK SPL OBLIG TAXABLE	A	3/1/2017	\$ 55,495
MISSISSIPPI ST GO REF BDS SER2012E	Aa2	12/1/2018	\$ 101,847
MISSISSIPPI ST GO BDS SER.2011 C	Aa2	10/1/2019	\$ 52,976
MISSISSIPPI ST G O BDS SER.2010D	Aa2	11/1/2021	\$ 22,240
MISSISSIPPI DEV BK SPL OBLIG	AA	12/1/2022	\$ 102,768
MISSISSIPPI HOME CORP SINGLE FAMILY	Aaa	12/1/2032	\$ 32,555
FEDERAL FARM CR BKS BOND	Aaa	12/19/2018	\$ 150,005
FEDERAL HOME LN MTG CORP MTN	Aaa	3/13/2020	\$ 102,613
FEDERAL FARM CR BKS BOND	Aaa	11/16/2021	\$ 50,009
SMALL BUSINESS ADMIN GTD PTNCT BOND	Unrated	9/10/2022	\$ 210,642
SMALL BUSINESS ADMIN GTD PTNCT BOND	Unrated	3/10/2023	\$ 139,557
Total			<u>\$ 2,211,438</u>

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

*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. As of June 30, 2016, the district did not have any investments to which this would apply.

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

### Note 3 – Inter-fund Receivables, Payables and Transfers

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

#### A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ 530
Other governmental funds	General Fund	1,142
	Sixteenth Section Principal Fund	1,597
Total		<u>\$ 3,269</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. Inter-fund balances also represent loan transactions between governmental funds and amounts due to and from the clearing funds and governmental funds. All inter-fund receivables and payables are expected to be repaid within one year.

#### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 723,486
Sixteenth Section Principal Fund	General Fund	16,066
Other governmental funds	General Fund	66,556
Total		<u>\$ 806,108</u>

Operating transfers were primarily for the following: vocational and special education expenditure transfers, interest earned on sixteenth section principal, and other routine operating transfers. These transfers are consistent with the activities of the fund making the transfer.

### Note 4 – Restricted Assets

The restricted assets represent the cash and investment balance totaling \$4,919,808 and \$1,645,476 respectively of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$369,562 of the Qualified School Construction Bond Fund.

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 174,918	\$	\$	\$	\$ 174,918
Construction in progress	4,800			(4,800)	-
Total non-depreciable capital assets	179,718	-	-	(4,800)	174,918
<u>Depreciable capital assets:</u>					
Buildings	11,936,996				11,936,996
Building improvements	8,561,195				8,561,195
Improvements other than buildings	1,840,230				1,840,230
Mobile equipment	3,348,957	258,375	78,197		3,529,135
Furniture and equipment	1,748,177	28,754	24,780		1,752,151
Total depreciable capital assets	27,435,555	287,129	102,977	-	27,619,707
<u>Less accumulated depreciation for:</u>					
Buildings	5,119,891	188,463			5,308,354
Building improvements	3,959,454	208,977			4,168,431
Improvements other than buildings	620,432	70,519			690,951
Mobile equipment	2,318,837	135,204	70,378		2,383,663
Furniture and equipment	1,409,360	98,092	24,533		1,482,919
Total accumulated depreciation	13,427,974	701,255	94,911	-	14,034,318
Total depreciable capital assets, net	14,007,581	(414,126)	8,066	-	13,585,389
Governmental activities capital assets, net	\$ 14,187,299	\$ (414,126)	\$ 8,066	\$ (4,800)	\$ 13,760,307

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 115,862
Support services	548,163
Non-instructional	37,230
Total depreciation expense - Governmental activities	\$ 701,255

The capital assets above include significant amounts of land, buildings, mobile equipment, and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Limited tax refunding notes	\$ 2,590,000	\$	\$ 230,000	\$ 2,360,000	\$ 220,000
B. General obligation certificate of participation	1,265,000		80,000	1,185,000	80,000
C. Qualified school construction bonds payable	1,500,000			1,500,000	
D. Compensated absences payable	138,349	16,797		155,146	7,757
Total	\$ 5,493,349	\$ 16,797	\$ 310,000	\$ 5,200,146	\$ 307,757

**A. Limited tax refunding notes**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, Series 2014	1.6 - 2.6%	7/15/2014	4/15/2027	\$ 2,635,000	\$ 2,360,000
Total				<u>\$ 2,635,000</u>	<u>\$ 2,360,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 220,000	\$ 49,870	\$ 269,870
2018	225,000	45,470	270,470
2019	230,000	40,970	270,970
2020	235,000	36,370	271,370
2021	240,000	32,610	272,610
2022 – 2026	1,005,000	96,420	1,101,420
2027	205,000	5,330	210,330
Total	<u>\$ 2,360,000</u>	<u>\$ 307,040</u>	<u>\$ 2,667,040</u>

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

**B. General Obligation Certificates of Participation**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation certificates of Participation, series 2014	1.5 - 3%	7/15/2014	6/1/2029	\$ 1,340,000	\$ 1,185,000
Total				<u>\$ 1,340,000</u>	<u>\$ 1,185,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 80,000	\$ 28,935	\$ 108,935
2018	80,000	27,735	107,735
2019	85,000	26,535	111,535
2020	85,000	25,260	110,260
2021	85,000	21,180	106,180
2022 – 2026	460,000	62,175	522,175
2027 - 2029	310,000	18,750	328,750
Total	<u>\$ 1,185,000</u>	<u>\$ 210,570</u>	<u>\$ 1,395,570</u>

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

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	5.40%	10/7/2010	8/1/2025	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 81,000	\$ 81,000	\$ 81,000
2018		81,000	81,000
2019		81,000	81,000
2020		81,000	81,000
2021		81,000	81,000
2022 – 2026	1,500,000	324,000	1,824,000
Total	<u>\$ 1,500,000</u>	<u>\$ 729,000</u>	<u>\$ 2,229,000</u>

This debt will be retired from the QSCB Sinking Fund.

**C. Compensated absences payable**

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

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of 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 \$1,626,294, \$1,606,262 and \$1,526,941, 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 \$25,262,282 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 0.163425 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.004766% 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.

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,657,606. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 581,131	\$
Net difference between projected and actual earnings on pension plan investments	1,478,114	2,093,724
Changes of assumptions	2,331,272	
Changes in proportion and differences between District contributions and proportionate share of contributions	406,737	
District contributions subsequent to the measurement date	1,626,294	
Total	\$ <u>6,423,548</u>	\$ <u>2,093,724</u>

\$1,626,294 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 959,335
2018	916,401
2019	458,266
2020	369,528

*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:

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 33,298,002	\$ 25,262,282	\$ 18,594,137

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

## Note 8 – Sixteenth Section Lands

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



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

Year Ending June 30	Amount
2017	\$ 65,738
2018	65,961
2019	66,292
2020-2024	85,137
2025-2029	23,806
2030 – 2034	21,788
2035 – 2039	8,206
Total	<u>\$ 336,928</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
To eliminate prior year construction in progress	\$ (4,800)
To correct prior year fund balance	(1,238)
rounding from prior period	(1)
Total	<u>\$ (6,039)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year fund balance	\$ (77,880)
Other Governmental	To correct prior year fund balance	76,642
Funds		
Total		<u>\$ (1,238)</u>

**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.

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

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

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

**Note 12 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$71,333.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$369,562. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

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

Year Ending June 30	Amount
2017	\$ 92,000
2018	95,000
2019	89,000
2020	89,000
2021	89,000
2022	115,000
2023	120,000
2024	150,000
2025	150,000
2026	150,000
Total	<u>\$ 1,139,000</u>

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

The unrestricted net position amount of (\$16,324,317) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,626,294 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$4,797,254 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$2,093,724 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

**Note 14 - 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 Quitman School District evaluated the activity of the district through January 31, 2017, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**QUITMAN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,108,770	\$ 5,615,911	\$ 5,615,911	\$ 507,141	\$ -
State sources	8,167,117	8,577,455	8,577,455	410,338	-
Federal sources	47,500	58,440	58,440	10,940	-
Sixteenth section sources	255,731	515,529	515,529	259,798	-
Total Revenues	13,579,118	14,767,335	14,767,335	1,188,217	-
<b>Expenditures:</b>					
Instruction	8,329,303	7,841,403	7,841,403	487,900	-
Support services	6,035,778	5,801,578	5,801,578	234,200	-
Sixteenth section	4,100	44,584	44,584	(40,484)	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	14,369,181	13,687,565	13,687,565	681,616	-
Excess (Deficiency) of Revenues over (under) Expenditures	(790,063)	1,079,770	1,079,770	1,869,833	-
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	6,453	6,453	6,453	-
Operating transfers in	3,096,582	2,234,911	82,622	(861,671)	(2,152,289)
Operating transfers out	(3,586,711)	(2,875,775)	(723,486)	710,936	2,152,289
Total Other Financing Sources (Uses)	(490,129)	(634,411)	(634,411)	(144,282)	-
Net Change in Fund Balances	(1,280,192)	445,359	445,359	1,725,551	-
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	4,854,339	4,412,693	4,490,573	(441,646)	77,880
Prior period adjustments	-	-	(77,880)	-	(77,880)
July 1, 2015, as restated	4,854,339	4,412,693	4,412,693	(441,646)	-
June 30, 2016	\$ 3,574,147	\$ 4,858,052	\$ 4,858,052	\$ 1,283,905	\$ -

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

**QUITMAN SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Extended School Year Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ -	\$ 8,460	\$ 8,460	\$ 8,460	\$ -
Total Revenues	-	8,460	8,460	8,460	-
<b>Expenditures:</b>					
Instruction	-	8,460	8,460	(8,460)	-
Total Expenditures	-	8,460	8,460	(8,460)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
Increase (Decrease) in inventory	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Quitman School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability (asset)	\$ 25,262,282	19,258,297
District's proportionate share of the net pension liability (asset)	0.163425%	0.158659%
District's covered - employee payroll	10,198,489	9,694,861
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.706126%	198.644385%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%	67.207687%

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

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

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

**Quitman School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,626,294	1,606,262
Contributions in relation to the contractually required contribution	1,626,294	1,606,262
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered - employee payroll	10,325,676	10,198,489
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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



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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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.

## SUPPLEMENTAL INFORMATION

**QUITMAN SCHOOL DISTRICT**  
**Supplemental Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 281,836
National school lunch program	10.555	860,988
Total child nutrition cluster		<u>1,142,824</u>
Total passed-through Mississippi Department of Education		<u>1,142,824</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,142,824</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	30,958
<b>Total U.S. Department of Defense</b>		<u>30,958</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	27,482
<b>Total Federal Communications Commission</b>		<u>27,482</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	946,513
Twenty-First Century Community Learning Centers	84.287	442,110
Rural Education	84.358	34,422
Improving teacher quality state grants	84.367	164,142
Subtotal		<u>1,587,187</u>
Special education cluster:		
Special education - grants to states	84.027	455,478
Special education - preschool grants	84.173	39,068
Total special education cluster		<u>494,546</u>
Total passed-through Mississippi Department of Education		<u>2,081,733</u>
<b>Total U.S. Department of Education</b>		<u>2,081,733</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	5,541
Total passed-through Mississippi Department of Education		<u>5,541</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>5,541</u>
Total for All Federal Awards		<u>\$ 3,288,538</u>

**NOTES TO SCHEDULE**

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

**QUITMAN SCHOOL DISTRICT****Supplemental 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	\$ 13,956,588	10,338,596	568,575	1,247,680	1,801,737
Other	4,647,848	983,430	243,075	4,737	3,416,606
Total	<u>\$ 18,604,436</u>	<u>11,322,026</u>	<u>811,650</u>	<u>1,252,417</u>	<u>5,218,343</u>
Total number of students *	<u>1,982</u>				
Cost per student	<u>\$ 9,387</u>	<u>5,712</u>	<u>410</u>	<u>632</u>	<u>2,633</u>

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

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

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

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

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

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

## OTHER INFORMATION

**QUITMAN SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 5,615,911	4,900,748	\$ 4,895,979	\$ 4,633,945
State sources	8,577,455	8,490,904	8,290,975	8,253,927
Federal sources	58,440	78,902	127,397	112,714
Sixteenth Section sources	515,529	345,855		
Total Revenues	14,767,335	13,816,409	13,314,351	13,000,586
<b>Expenditures:</b>				
Instruction	7,841,403	8,097,353	7,710,967	7,535,023
Support services	5,801,578	5,946,612	6,262,200	5,329,336
Noninstructional services		56	83	80
Sixteenth section	44,584	12,047		
Total Expenditures	13,687,565	14,056,068	13,973,250	12,864,439
Excess (Deficiency) of Revenues over (under) Expenditures	1,079,770	(239,659)	(658,899)	136,147
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	6,453		75,570	23,402
Payments to QSCB debt escrow agent				
Operating transfers in	82,622	160,922	376,020	474,773
Operating transfers out	(723,486)	(930,693)	(509,829)	(431,215)
Total Other Financing Sources (Uses)	(634,411)	(769,771)	(58,239)	66,960
Net Change in Fund Balances	445,359	(1,009,430)	(717,138)	203,107
<b>Fund Balances:</b>				
July 1 , as previously reported	4,490,573	2,739,186	3,456,324	3,253,217
Fund reclassification		2,760,817		
Prior period adjustments	(77,880)			
July 1 , as restated	4,412,693	5,500,003	3,456,324	3,253,217
End of Period	\$ 4,858,052	4,490,573	\$ 2,739,186	\$ 3,456,324

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**QUITMAN SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 6,110,644	\$ 5,311,582	\$ 5,385,956	\$ 5,143,333
State sources	9,120,164	9,122,527	8,606,670	8,534,323
Federal sources	3,404,532	3,550,230	3,130,073	3,052,576
Sixteenth section sources	1,302,190	2,075,645	2,697,860	1,495,785
Total Revenues	19,937,530	20,059,984	19,820,559	18,226,017
<b>Expenditures:</b>				
Instruction	10,027,151	10,583,313	9,266,637	9,052,424
Support services	6,749,541	6,771,420	7,172,816	6,237,444
Noninstructional services	1,222,351	1,261,763	1,281,976	1,309,758
Sixteenth section	124,551	100,425	50,873	119,950
Facilities acquisition and construction	-	1,556,701	95,985	-
Debt service:				
Principal	310,000	315,000	190,000	180,000
Interest	165,605	159,742	190,509	197,345
Other	5,237	191,390	1,600	1,600
Total Expenditures	18,604,436	20,939,754	18,250,396	17,098,521
Excess (Deficiency) of Revenues over (under) Expenditures	1,333,094	(879,770)	1,570,163	1,127,496
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		1,340,000		
Insurance recovery	6,453	2,635,000	75,570	23,402
Payment to escrow agent		(2,545,579)		
Payment held by escrow agent	71,000			
Payment to QSCB debt escrow agent	(71,000)			
Operating transfers in	806,108	2,422,218	1,028,360	1,261,043
Other financing sources		6,900		
Operating transfers out	(806,108)	(2,422,218)	(1,028,360)	(1,261,043)
Other financing uses				(49,820)
Total Other Financing Sources (Uses)	6,453	1,436,321	75,570	(26,418)
Net Change in Fund Balances	1,339,547	556,551	1,645,733	1,101,078
<b>Fund Balances:</b>				
July 1, as originally reported	11,141,120	10,580,600	8,938,786	7,770,319
Prior period adjustments	(1,238)	-	-	75,612
Beginning of period, restated	11,139,882	10,580,600	8,938,786	7,845,931
Increase (Decrease) in reserve for inventory	281	3,969	(3,919)	(8,223)
End of Period	\$ 12,479,710	\$ 11,141,120	\$ 10,580,600	\$ 8,938,786

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE





## McKENZIE CPA, PLLC

521 Chuck Wagon Drive  
Brandon, MS 39042

(Phone) 601-670-5282 (Email) [barrymckenzie@mckenziecpapllc.com](mailto:barrymckenzie@mckenziecpapllc.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  
Quitman 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 Quitman School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Quitman School District's basic financial statements, and have issued our report thereon dated January 31, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Quitman 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Quitman School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Quitman School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
January 31, 2017

McKenzie CPA, PLLC



## McKENZIE CPA, PLLC

521 Chuck Wagon Drive  
Brandon, MS 39042  
(Phone) 601-670-5282 (Email) [barrymckenzie@mckenziecpapllc.com](mailto:barrymckenzie@mckenziecpapllc.com)

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

Superintendent and School Board  
Quitman School District

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

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

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

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

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

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

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

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

#### **Report on Internal Control Over Compliance**

Management of Quitman 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 Quitman 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 Quitman 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
January 31, 2017

McKenzie CPA, PLLC

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



## McKENZIE CPA, PLLC

521 Chuck Wagon Drive  
Brandon, MS 39042  
(Phone) 601-670-5282 (Email) [barrymckenzie@mckenziecpapllc.com](mailto:barrymckenzie@mckenziecpapllc.com)

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

Superintendent and School Board  
Quitman School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2016, which collectively comprise Quitman School District's basic financial statements and have issued our report thereon dated January 31, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
January 31, 2017

*McKenzie CPA, PLLC*

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued:                      | Unmodified    |
| 2. | Internal control over financial reporting:            |               |
|    | a. Material weaknesses identified?                    | No            |
|    | b. Significant deficiencies identified?               | None reported |
| 3. | Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness identified?   | No            |
|    | b. Significant deficiency identified?  | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster

- |     |  |           |
|-----|--|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000 |
| 9.  | Auditee qualified as low-risk auditee?   | Yes       |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes       |



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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Quitman School District  
574 Parkway Street  
Quitman, MS 38618  
Dr. Donna Boone, Superintendent  
Elisa Mayo, Finance Coordinator

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by 2 CFR 200.511(b), the Quitman School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2016:

Findings	Status
2015-01	Corrected